

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

1. Summary of Significant Accounting Policies

A. Reporting Entity

Primary Government. Chesterfield County, Virginia (County) is a political subdivision of the State of Virginia governed by a five-member elected Board of Supervisors (County Board). The accompanying financial statements for the primary government and its component units are prepared in accordance with specifications issued by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, the Financial Accounting Standards Board (FASB) and the accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB).

The County's financial statements have been prepared in accordance with GASB Statement Number 34 titled "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." This Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes the following:

- Management's Discussion and Analysis (MD&A) -- MD&A introduces the basic financial statements and provides an analytical overview of the primary government's financial activities. It describes the currently known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations.
- Basic Financial Statements -- The basic financial statements include both government-wide and fund statements and notes. The notes are an integral part of the financial statements and communicate information that is essential for fair presentation of the financial statements that is not displayed on the face of the statements. Required budgetary comparison statements are presented as part of the basic financial statements.
- Required Supplementary Information (RSI) -- RSI reports other types of data required by GASB Statements.

Discretely Presented Component Units. The financial data of the County's three component units that meet the criteria of GASB Statement Number 39 are reported in a single column/row on the face of the government-wide financial statements with combining statements of major individual component units as Exhibits XI and XII.

1. The Chesterfield County Public School System (School Board) is responsible for elementary and secondary education within the County's jurisdiction. The five members of the School Board are elected for a four-year term. The members of the current School Board were elected in November 2003. The School Board functions independently of the County Board and County administration, but is fiscally dependent upon the County because the County Board approves the budget, levies the necessary taxes to finance operations and issues debt. The School Board can neither levy taxes nor incur indebtedness under Virginia law. Fund financial statements of the School Board are included in the supplementary information section.
2. The Industrial Development Authority (The Authority) of the County of Chesterfield was created as a political subdivision of the Commonwealth of Virginia (The Commonwealth) by the County of Chesterfield, pursuant to the provisions of the Industrial Development and Revenue Bond Act, Chapter 49 of Title 15.2, Code of Virginia. This Act empowers the Authority, among other activities, to issue tax-exempt bonds to acquire, improve, maintain, equip, own, lease or dispose of properties by inducing manufacturing and industrial enterprises to locate or remain in the Commonwealth. The County Board appoints the seven directors of the Authority and provides financial support by making direct payments of debt service expenses on behalf of the Authority. Due to recent financial transactions, this is the first year the County has included the financial data of the Authority in its entity-wide reporting. Beginning net assets for the County were adjusted by \$3,282,328 to incorporate beginning net assets of the Authority. Complete financial statements for the Authority may be obtained at Chesterfield County, Economic Development Department, 9401 Courthouse Road, Suite B, Chesterfield, Virginia 23832.
3. The Chesterfield County Health Center Commission (Health Center Commission) is responsible for operating a long-term care facility (Lucy Corr Village) in a professional and cost-effective manner

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providing high quality nursing home care for its residents. The County Board appoints the seven members of the Health Center Commission and has provided it operating subsidies. Complete financial statements for the Health Center Commission may be obtained at the entity's administrative office at 6800 Lucy Corr Court, Chesterfield, Virginia 23832.

B. Government-wide and Fund Financial Statements

The financial statements include both government-wide (based on the County as a whole) and the fund financial statements. All non-fiduciary activities are categorized as either governmental or business-type in both the government-wide and fund statements. Fiduciary activities, whose resources are not available to finance the County's programs, are not included in the government-wide statements.

Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities that reflect a full economic resources measurement focus and the accrual basis of accounting. The Statement of Net Assets presents the assets, liabilities and net assets of the governmental and business-type activities by columns. In the Statement of Activities, both the gross and net cost per individual function are reported for both governmental and business-type activities. Related program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by the function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the function. The County does not allocate indirect expenses. Taxes and other revenues not related to a particular function are reported as general revenues.

In the fund financial statements, financial transactions and accounts are organized on the basis of funds. Fund financial statements consist of a series of statements that focus on the information about the County's major governmental and enterprise funds. The fund statements for governmental funds are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fiduciary fund statements are used to report assets that are held in a trustee or agency capacity and consist of a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

All the government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, i.e., both measurable and available. Generally, revenues are considered available only if the monies are received within 45 days after the end of the accounting period and are due on or before the last day of the accounting period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt, which is recorded when paid.

Real and personal property taxes are recorded as deferred revenue and receivables when billed, net of allowances for uncollectible amounts. During the fiscal year, property tax collections are recorded as revenues and deferred revenue is reduced. Property taxes for the current and prior years, not collected within 45 days after year-end, remain recorded as deferred revenue. Sales taxes, which are collected by the State by year-end and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the State, which is generally in the month preceding receipt by the County.

Licenses and permits, fines and forfeitures, charges for services and miscellaneous revenues, except interest on temporary investments, are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available.

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The County reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

County Capital Projects Fund – The County Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities used for County operations (other than those financed by Proprietary Funds).

School Capital Projects Fund – The School Capital Projects Fund is used to account for financial resources used primarily for the acquisition or construction of major capital facilities used for school operations that are titled to the County.

The non-major governmental funds of the County are:

Grants Fund – The Grants Fund accounts for the proceeds related to federal and state grant programs that are legally restricted to expenditures for specific purposes.

Comprehensive Services Fund – The Comprehensive Services Fund is used to account for the financial resources related to providing child centered, family focused and locally based services for at-risk youth.

T. F. Jeffress Memorial Fund – The T. F. Jeffress Memorial Fund is used to account for the financial activity related to trust assets designated to assist in the maintenance of Camp Baker, a camp located in the County for mentally disabled individuals.

Proprietary Funds are used to account for the reporting entity's ongoing organizations and activities similar to those often found in the private sector. The County reports the following proprietary funds:

Enterprise Funds:

Water Fund – The Water Fund reflects the operations of the County's water system and is reported as a major fund.

Wastewater Fund – The Wastewater Fund reflects the operations of the County's wastewater system and also is reported as a major fund.

Airport Fund – The Airport Fund reflects the operation of the County's Airport and is reported as a non-major fund.

Internal Service Funds - Internal service funds are used to account for the operations of the vehicles and communications maintenance, general self-insurance functions, and capital project management. Resources to meet the cost of operations are derived from interfund charges on a cost-reimbursement basis.

Additionally, the County reports the following fund category:

Fiduciary Funds – Fiduciary funds are used to account for the supplemental retirement pension trust and agency funds. Agency funds are custodial in nature and do not involve the measurement of results of operations. Beginning in FY05, the County became the fiscal agent for Appomattox Regional Governor's School, therefore, the County is reporting them as an agency fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. Chesterfield County has elected not to follow subsequent private-sector guidance.

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The effect of interfund activity has been eliminated from the financial statements except for program-related services such as water and wastewater usage, inspections and permit issuances. Eliminations of these program-related services would distort the direct costs and program revenues reported.

Amounts reported as program revenues include charges to customers for goods, services, or privileges provided, operating grants and contributions and capital grants and contributions. General revenues include all taxes, grants and contributions not restricted to specific programs, and other revenues not meeting the definition of program revenues.

Operating revenues and expenses in the proprietary funds result from providing goods and services in connection with their principal ongoing operations. The principal operating revenues of the County's proprietary funds are charges for services. Operating expenses for the enterprise and internal service funds include the cost of services, administrative expenses, contractual services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Unbilled charges for water and wastewater services are recorded at year-end to the extent they can be estimated.

The connection fee charged to connect to the County's water and wastewater system consists of a capital recovery charge and a meter installation charge. The capital recovery charge will be used to finance future capital improvements, whereas the meter installation charge recovers the cost of the meter and its installation. In accordance with industry practice, capital recovery charges of \$13,723,560 and \$4,945,838 have been credited to capital contributions in the Water and Wastewater Enterprise Funds, respectively and the meter installation fee has been classified as charges for services in the Water Enterprise Fund.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Proprietary and similar fund types consider cash and all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash and cash equivalents.

2. Investment Policy

The reporting entity follows a deposit and investment policy in accordance with the Commonwealth statutes. Investments with a maturity date of more than one year from the date of purchase are stated at fair value and investments with a maturity date of one year or less from the date of purchase are stated at amortized cost. Deposit and investment instruments include certificates of deposit, savings accounts, money market funds, Virginia State Non-Arbitrage Program, bankers' acceptances, The Commonwealth Local Government Investment Pool and United States (U.S.) government securities. Investments are generally on deposit with banks and savings and loan institutions and are collateralized under the provisions of the Virginia Security for Public Deposits Act, Section 2.1-359 et seq. Securities are held in safekeeping by the respective financial institutions. Investment income is reported in the same fund that reports the investment.

3. Allowances for Uncollectibles

The reporting entity determines allowances for uncollectibles using historical collection data, specific account analysis and management's judgment.

4. Inventories

Inventories are valued at the lower of average cost (first-in, first-out) or market for the Enterprise and Internal Service Funds of the primary government. In the School Board, inventories are valued at the lower of cost (moving average) or market and in the Health Center Commission, inventories are valued at cost using the first-in/first-out method. Inventory items are considered expended when used (consumption method).

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5. Restricted Assets – Enterprise Funds

Certain assets of the Water, Wastewater and Airport Funds are classified as restricted assets on the Statement of Net Assets – Proprietary Funds because their use is limited by revenue bond restrictions and the escrow agreement.

6. Capacity Rights – Enterprise Funds

Capacity rights are recorded in the Water and Wastewater Funds. On December 1, 1989, the County entered into an agreement with the City of Richmond (City) to purchase capacity rights from the City to meet future water needs. On August 28, 2002, the County entered into an agreement with the Appomattox River Water Authority (ARWA) to purchase capacity rights from ARWA to also meet future water needs. On July 2, 1996, the County, in conjunction with the Counties of Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights, created the South Central Wastewater Authority to maintain wastewater treatment and related facilities and provide capacity for purchase by the participating jurisdictions. Changes in capacity rights are as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Current</u> <u>Additions</u>	<u>Current</u> <u>Amortization</u>	<u>Balance</u> <u>June 30, 2005</u>
Water Capacity Rights	\$ 56,779,162	\$ 8,434,174	\$ 750,661	\$ 64,462,675
Wastewater Capacity Rights	3,804,058	-	118,877	3,685,181

Water capacity rights purchased from the City are amortized over the life of the agreement using the straight-line depreciation method. Water capacity rights purchased from ARWA include current year capitalized interest of \$359,166 and will be amortized when construction is complete and usage is utilized. Wastewater capacity rights are amortized over forty years using the straight-line depreciation method.

7. Capital Assets

Capital assets include property, plant, equipment and infrastructure assets (e.g. roads, bridges, drainage systems and similar items). The standard for capitalization of tangible property is \$5,000 or more per unit with an expected useful life of greater than two years. The standard for capitalization of computer software is \$50,000 with an expected useful life greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets acquired for general governmental purposes are recorded as expenditures in the fund financial statements and capitalized at cost in the government-wide financial statements. Contributed capital assets are recorded at estimated fair market value at the time of receipt. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is reflected in the results of operations in the government-wide statements.

Capital assets are reported in the business-type activities and proprietary funds at cost. Contributed assets are valued at estimated fair market value at the date of receipt. When capital assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and the gains or losses are reflected in the results of operations.

Depreciation has been provided over estimated useful lives using the straight-line method. The estimated useful lives of capital assets are as follows:

Buildings	40-60 years
Improvements other than buildings	8-25 years
Machinery and equipment:	
Transmission lines and mains	35-50 years
Other	3-20 years
Infrastructure:	
Drainage systems	70 years

Depreciation of all exhaustible fixed assets used by County is charged as an expense in the Statement of Activities and accumulated depreciation is reported in the Statement of Net Assets. The Proprietary Funds also

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record depreciation and accumulated depreciation in their fund based statements and capitalize interest, when material in amount.

Interest costs of \$1,238,988 in the business-type activities of the primary government were capitalized during the fiscal year.

8. Compensated Absences

County and School Board employees are granted vacation pay due to length of service in varying amounts as the services are provided. School Board employees are also granted personal leave. Employees may accumulate unused vacation and/or personal leave earned, subject to certain limitations. Upon retirement, termination or death, employees may be compensated for certain amounts at their current rates of pay. Employees may accumulate an unlimited amount of earned but unused sick leave benefit, which is forfeited upon separation from service, except when separation is caused by the retirement of employees. Upon retirement, County employees receive cash compensation at a rate of \$2.00 per hour with no cap on accrued sick leave benefits. Upon retirement, School Board employees receive compensation for unused sick days based on years of consecutive employment with Chesterfield County Schools per the following schedule:

Years of Employment	Daily Compensation	Maximum
0-15	\$ 30	\$ 4,000
15-24	30	-
25-29	40	-
30+	50	-

The cost of accumulated vacation and sick leave pay is accounted for as a liability in the government-wide financial statements and proprietary fund type statements.

9. Retirement Plans

Retirement plan contributions, with the exception of the School Board Supplemental Retirement Program, are actuarially determined and consist of current service costs and amortization of prior service costs over a forty-year period. The policy is to fund pension costs at actuarially determined rates. The County and School Board funded the Virginia Retirement System (VRS) Plan using an actuarially determined rate. The County made a contribution to its Supplemental Retirement Plan in 2005, which was equal to the annual required contribution. Retirement contributions for the School Board Supplemental Retirement Program are based on savings derived from employees electing to retire under the Plan. The School Board made a contribution to its Supplemental Retirement Program in 2005, which was more than the required contribution.

10. Long-term Obligations

The reporting entity has no legal debt margin requirement and no overlapping debt. Any issue of general obligation bonded debt, except State Literary Fund loans and Virginia Public School Authority (VPSA) bonds, must be approved by a voting majority of the qualified voters. Revenue bonds may be issued by the adoption of a resolution by the County Board.

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period but no long-term liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Payments to an escrow agent to defease debt is reported as other financing uses while issuance costs and repayments of principal and interest are reported as debt service expenditures. Matured principal and interest payments are reported when due.

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2. Stewardship, Compliance, and Accountability

A. Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- ◆ Prior to budget submission, department directors develop departmental performance plans which include objectives, performance measures, initiatives and work plans for the coming year.
- ◆ In September, the School Board receives an expenditure target from the County Administrator.
- ◆ In late October, departments receive an expenditure target. Budgets are prepared with work plans consistent with the resources available.
- ◆ Departments submit budgets and work plans to the County Administrator for review in December and January. Department's requests for additional funding must be accompanied by supporting statistical data and are negotiated. The County Administrator's recommended budget is prepared by early March. During this time, work sessions are held with the County Board to keep them informed of the status of the budget.
- ◆ No later than March 1, the School Board submits its proposed budget to the County Administrator.
- ◆ Prior to March 15, the County Administrator submits to the County Board a proposed operating budget for the County and School Board for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- ◆ A public hearing is conducted to obtain taxpayer comments. Constituent meetings around the County are also held to provide information to the citizens on the County Administrator's proposed budget.
- ◆ Prior to May 1, the County Board adopts the budget by resolution and funds are appropriated generally at the function level for the General Fund, at the fund level for the Comprehensive Services Fund, and at the major expenditure category for the School Operating Fund of the School Board component unit, (state reporting requirements), through passage of an appropriation resolution. The categories for the School Operating Fund are: instruction, administration plus attendance and health, pupil transportation, operations and maintenance, food service and for debt service. These are the levels of control at which expenditures may not legally exceed appropriation.
- ◆ Beginning in fiscal year 2005-2006, the County implemented a two-year appropriations resolution. The resolution for the first year of the biennium contains appropriated first-year expenditures and approved second-year expenditures. For the second year of the biennium, any necessary amendments are made to the approved budget and the Board then adopts and appropriates the second-year spending plan.
- ◆ Formal budgetary integration is employed as a management control device during the year for all funds. Budgets are legally adopted annually for the County's General Fund, the Comprehensive Services Fund and the School Operating Fund. The budget resolution specifies that Trust and Agency disbursements must be for the purpose for which the fund was established.
- ◆ A budget is adopted for each grant or project in the Grants Fund or the County Capital Projects Fund when funds become available. In the School Capital Projects Fund, projects are appropriated in total when funds become available. The budget resolution specifies that the budget and appropriation for each grant or project continue until the expiration of the grant or completion of the project. All other appropriations lapse at year-end. The level of control at which expenditures may not legally exceed appropriations is at the individual grant or project level in the Grants Fund and County Capital Projects Fund and at the total appropriation level in the School Capital Projects Fund.

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- ◆ Budgets for all funds are adopted on a budgetary basis. Budgeted amounts reflected in the basic financial statements are as originally adopted or as amended by the County Board, School Board, County Administrator or the School Superintendent. The statements include an explanation of differences between actual amounts on the budgetary basis and the GAAP basis.
- ◆ The County Administrator is authorized to amend appropriations by transferring unencumbered appropriated amounts within appropriation categories, or to increase any appropriation category up to \$20,000. The County Administrator is also authorized to (1) appropriate any unanticipated revenues that are received from insurance recoveries received for damage to County property, and donations made by citizens or citizen groups in support of County programs, (2) appropriate funds from asset forfeiture accounts consistent with spending requirements; (3) increase the General Fund appropriation to the School Board, contingent upon available funds and consideration of other expenditures up to \$4.5 million; (4) transfer funds to departments for worker's compensation, supplemental retirement, and healthcare for retirees, and; (5) reallocate funding sources for specific programs. Otherwise, the County Board must approve amendments that increase the total appropriation of any function level. During the year, the County Board approved several amendments to the various appropriations. If an increase in the budget exceeds \$500,000, a public hearing is required to receive public input prior to the amendment being approved.
- ◆ The Superintendent and/or School Board has the authority to make transfer amendments within major appropriation categories. The Superintendent and/or School Board are authorized to approve amendments that cross major appropriation categories up to \$499,999. Any amendment that crosses major appropriation categories in excess of \$499,999 must first be approved by the School Board and then by the County Board. The County Administrator has the authority to appropriate any unanticipated revenues that are received from insurance recoveries and reimbursements made to the School Board for damage to School Board property for amounts up to \$20,000.

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B. Fund balances

Fund balance-reserved represents that portion of fund balance not available for appropriation or expenditure.

Fund balance-designated represents amounts that the County Board or management has identified for future spending.

These reserved and designated amounts were composed of the following at June 30, 2005:

Primary Government

	General Fund	County Capital Projects Fund	School Capital Projects Fund	Other Governmental Funds
Reserved:				
Construction	\$ 44,211,900	\$ 16,196,374	\$ 3,358,435	\$ -
Encumbrances	1,304,917	23,027,976	35,907,397	-
Advance to Health Center Commission	593,638	-	-	-
Receivable from disaster recovery	2,673,627	-	-	-
Specific programs	5,085,672	-	-	1,191,686
Future expenditures	6,347,571	150,000	-	-
Total fund balances - reserved	<u>\$ 60,217,325</u>	<u>\$ 39,374,350</u>	<u>\$ 39,265,832</u>	<u>\$ 1,191,686</u>

	General Fund
Designated:	
Debt service	\$ 4,745,561
County capital projects	2,086,199
School capital projects	4,937,886
Future expenditures	12,790,605
Other	84,238
Total fund balances - designated	<u>\$ 24,644,489</u>

Component Unit - School Board

	School Operating Fund	Non-major Keith Jonas Memorial Trust
Reserved:		
Construction	\$ 106,652	\$ -
Inventories	1,295,221	-
Cafeteria operations	6,166,075	-
Encumbrances	1,172,010	-
Specific programs	217,008	9,343
Total fund balances - reserved	<u>\$ 8,956,966</u>	<u>\$ 9,343</u>
Designated:		
Future expenditures	<u>\$ 2,739,704</u>	

C. Deficit Fund Equity

The Comprehensive Services Fund, a non-major governmental fund, had a deficit fund balance of \$206,838 at June 30, 2005, because insufficient funds were budgeted for the local share of expenditures. Management anticipates the deficit will be eliminated through future appropriations.

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Risk Management, an internal service fund, had a deficit net assets of \$618,352 at June 30, 2005, due to claims experiences higher than anticipated. Management anticipates eliminating the deficit with increased future premiums from other funds.

3. Significant Transactions of the County and Discretely Presented Component Units

A. School Board

There are some transactions between the County and School Board component unit that are explained here in detail to provide a more informed understanding of the operational relationship of the two entities and how such transactions are presented in the financial statements:

- 1) The School Board can neither levy taxes nor incur debt under Virginia law. Therefore, the County issues debt "on behalf" of the School Board. The debt obligation is recorded as a liability of the County's governmental activities. The proceeds from the debt issued "on behalf" of the School Board are recorded in the School Capital Projects Fund, a major fund of the primary government, and used to pay for school capital expenditures.
- 2) The County's charter states that title to all real property of the school system shall be vested in the County. The purchase and/or construction of School Board real property is accounted for in the School Capital Projects Fund which is reported as a major fund of the primary government. The capital assets are reported in the governmental activities of the County. Depreciation and accumulated depreciation related to School Board real property is reported in the County's governmental activities within the appropriate government-wide statement.
- 3) The primary government's budgeting process provides funding to the School Board component unit for debt service payments. The School Board is responsible for appropriating debt service payments for debt issued by the primary government on its behalf. These transactions are reported as transfers on the primary government's Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual and as transfers and debt service payments on the School Board's Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual. GAAP requires that debt issued "on behalf" of the School Board and related debt service payments be reported by the primary government for financial reporting purposes. Therefore, the School Board reports debt service payments as payments to the primary government for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. The primary government records this amount as a payment from the School Board and as debt service expenditures for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

B. Industrial Development Authority

On October 18th, 2004, the Authority sold its Taxable Redevelopment Facility Note, Series 2004, on behalf of the County in an amount not to exceed \$10,000,000 to acquire the Cloverleaf Mall property ("Mall Property") for redevelopment by the County. As of June 30, 2005, \$9,225,000 was outstanding on the Note. The County made interest payments on the Note in the amount of \$180,458 during the fiscal year. The County is reporting this transaction as a capital lease and a capital asset. On January 27, 2005, the Authority issued Variable Rate Revenue Bonds, Series 2005A, and Variable Rate Revenue Bonds, Taxable Series 2005B, in the amounts of \$6,490,000 and \$11,630,000, respectively. These bonds were issued to finance the acquisition of real property for the development of the Meadowville Technology Park and to finance certain infrastructure improvements within the Park. Debt service related to these revenue bonds is payable solely from support payments made by the County, pursuant to an Amended and Restated Development Agreement, dated January 1, 2005, between the Authority and the County. The County made support payments in the amount of \$207,987 during the fiscal year.

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C. Health Center Commission

On May 10, 2005, the County executed an Intergovernmental Transfer Agreement with the Commonwealth of Virginia to receive enhanced payments to Lucy Corr Village, a qualified public provider of Medicaid eligible services. According to the agreement, the County transferred funds to the Commonwealth in the amount of \$4,892,538 and immediately the Commonwealth transferred funds to the County in the form of enhanced Medicaid payments for services provided to Medicaid eligible residents. The enhanced payments included the amount of the original transfer, bank fees of \$4,206 and an additional payment of \$122,250. All of these transactions were made by electronic transfer and completed within one banking day.

4. Deposits and Investments

A. Primary Government:

As of June 30, 2005, the carrying value of the County's deposits and investments, including County agency funds other than that of the County Supplemental Retirement System Pension Trust Fund, with their respective credit ratings, was as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 142,919,709	N/A
Commonwealth Local Government Investment Pool (LGIP)	50,468,446	AAAm
Federal Farm Credit Bank	992,500	AAA
Federal Home Loan Bank	70,458,762	AAA
Federal Home Loan Mortgage Corporation	53,829,208	AAA
Federal National Mortgage Association	1,271,927	AAA
Federal National Mortgage Corporation	17,804,030	AAA
State Non-Arbitrage Program (SNAP)		
Money market fund	44,632,332	AAAm
Individual portfolio account*	<u>18,568,292</u>	AAA
Total deposits and investments	<u>\$ 400,945,206</u>	

* The SNAP - Individual portfolio account includes \$14,665,492 in Federal Home Loan Mortgage Corporation Discount Notes and \$3,902,800 in a Federal National Mortgage Association Discount Note

Credit Risk:

In accordance with the Code of Virginia and other applicable law, including regulations, the County's investment policy (Policy) permits investments in U.S. government obligations, obligations of the Commonwealth or political subdivisions thereof, prime quality commercial paper, and certain corporate notes, bankers' acceptances, repurchase agreements, negotiable certificates of deposit, and the Commonwealth Treasurer's Local Government Investment Pool (the Commonwealth LGIP, a 2a-7 like pool).

The Policy establishes limitations by type of instrument. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each security is as follows:

Bankers' acceptances	40% maximum
Commercial paper	35% maximum
Commonwealth LGIP	75% maximum
Money market funds	25% maximum
Negotiable certificates of deposit – commercial banks	100% maximum
Negotiable certificates of deposit – savings and loan associations	10% maximum
Repurchase agreements	50% maximum
U.S. Treasury obligations	80% maximum
U.S. government agency securities and instruments of government sponsored organizations	80% maximum

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

As required by Commonwealth statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investor Service, Standard & Poor's, Fitch Investor Service, and Duff and Phelps, Inc. Corporate notes, negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. Credit ratings are ratings by Standard and Poor's. Deposits and investments not exposed to credit quality risk, as defined by GASB 40, are designated as "N/A" in the credit rating column.

Concentration of Credit Risk:

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk as follows:

Certificates of deposit – commercial banks	45% maximum
Certificates of deposit – savings and loan associations	\$100,000
Commercial paper	25% maximum
Commonwealth LGIP	\$75 million
Each federal agency	No maximum
Each repurchase agreement counterparty	10% maximum
U.S. Treasury	No maximum

As of June 30, 2005, the portion of the County's portfolio, excluding demand deposits, the Commonwealth LGIP and the SNAP Money Market Fund, that exceeds 5% of the total portfolio are as follows:

<u>Issuer</u>	<u>% of Portfolio</u>
Federal Home Loan Bank	43.2%
Federal Home Loan Mortgage Corporation	42.0
Federal National Mortgage Corporation	10.9

Interest Rate Risk:

As a means of limiting exposure to fair value losses arising from rising interest rates, the Policy limits the investment of operating funds to investments with a stated maturity of no more than two years from the date of purchase. Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities.

As of June 30, 2005, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>		
		<u>0 to 6 Months</u>	<u>6 Months to 1 Year</u>	<u>1 to 2 Years</u>
Commonwealth LGIP	\$ 50,468,446	\$ 50,468,446	\$ -	\$ -
Federal Home Loan Bank	70,458,762	32,025,028	15,083,422	(a) 23,350,312 (b)
Federal Home Loan Mortgage Corporation	53,829,208	35,121,239	16,706,713	(c) 2,001,256 (d)
Federal National Mortgage Association	1,271,927	1,271,927	-	-
Federal National Mortgage Corporation	17,804,030	4,967,383	9,847,272	(e) 2,989,375 (f)
Federal Farm Credit Bank	992,500	-	992,500	-
State Non-Arbitrage Program (SNAP)				
Money market fund	44,632,332	44,632,332	-	-
Individual portfolio account	18,568,292	15,408,808	3,159,484	-
Total	\$ 258,025,497	\$ 183,895,163	\$ 45,789,391	\$ 28,340,943

- (a) These bonds have call dates ranging from 0-6 months
- (b) A portion of these bonds have call dates ranging from 0-6 months
- (c) A portion of these bonds have a call date in 4 months
- (d) This bond has a call date of 3 months
- (e) A portion of these bonds have a call date of 3 months
- (f) These bonds have call dates ranging from 0-3 months

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

Chesterfield County Supplemental Retirement System:

As of June 30, 2005, the carrying value of the County Supplemental Retirement System Pension Trust Fund's (System) deposits and investments, with their respective credit ratings, was as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Common stock	\$ 10,422,951	N/A
Demand deposits	2,285,659	N/A
Federal Home Loan Bank	344,329	AAA
Federal Home Loan Mortgage Corporation	887,358	AAA
Federal National Mortgage Association	198,750	AAA
Government National Mortgage Association	4,550	N/A
Mutual Fund - Fixed Income	503,688	Not Rated
Total deposits and investments	<u>\$ 14,647,285</u>	

Credit Risk:

Investments in the System are managed in accordance with a Statement of Investment Policy (Statement). This Statement sets target allocations of 40% to 65% for equities, 25% to 50% for fixed income, and 3% to 20% for cash and equivalents, and authorizes investments in cash equivalents, fixed income securities, equity securities and mutual funds. The Statement specifically addresses the credit quality rating requirements on fixed income investments, permitting the purchase of investment grade bonds rated BBB or better. All credit ratings in the above table are ratings by Standard and Poor's. Deposits and investments not exposed to credit quality risk, as defined by GASB 40, are designated as "N/A" in the credit rating column in the above table.

Concentration of Credit Risk:

The Statement establishes limitations on portfolio composition by issuer in order to control concentration of credit risk as follows:

Company	Not to exceed 5% of the total fund
Government agency	Not to exceed 5% of the total fund
Industry	Not to exceed 20% of the total fund

As of June 30, 2005, the portion of the System's portfolio excluding demand deposits that exceeds 5% of the total portfolio are as follows:

<u>Issuer</u>	<u>% of Portfolio</u>
Federal Home Loan Mortgage Corporation	7.2%

Interest Rate Risk:

As a means of limiting its exposure to fair value losses resulting from rising interest rates (interest rate risk), the Statement limits the maximum maturity for any single security to 30 years and the weighted average portfolio maturity may not exceed 10 years.

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

As of June 30, 2005, the System had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>		
		<u>0 to 5 Years</u>	<u>6 to 10 Years</u>	<u>10 to 15 Years</u>
Federal Home Loan Bank	\$ 344,329	\$ 244,298	\$ 100,031	\$ -
Federal Home Loan Mortgage Corporation	887,358	439,286 (a)	448,072 (a)	-
Federal National Mortgage Association	198,750	-	-	198,750 (b)
Government National Mortgage Association	4,550	-	-	4,550
Mutual Fund - Fixed Income	503,688	503,688	-	-
Total	<u>\$ 1,938,675</u>	<u>\$ 1,187,272</u>	<u>\$ 548,103</u>	<u>\$ 203,300</u>

(a) A portion of these bonds have a call date within 5 months

(b) A portion of these bonds have a call date within 8 months

B. Component Units:

1. School Board:

A. School Board Funds:

As of June 30, 2005, the carrying value of the School Board operating and agency fund's deposits with their respective credit rating were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$12,303,344	N/A

School Board deposits are invested in accordance with the County's investment policy. As of June 30, 2005, excluding the demand deposits, there were no investments. Accordingly, there is no credit risk, concentration of credit risk or interest rate risk.

B. School Board Supplemental Retirement Program:

As of June 30, 2005, the carrying value of the School Board Supplemental Retirement Program Pension Trust Fund's (Program) deposits and investments, with their respective credit ratings, was as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 617,198	N/A
Mutual Funds - Equity	6,185,264	Not Rated
Mutual Fund - Fixed Income	<u>6,284,246</u>	Not Rated
Total deposits and investments	<u>\$ 13,086,708</u>	

Credit Risk:

Investments in the Program are managed in accordance with a Statement of Investment Policy (Statement). This Statement sets target allocations of 40% to 65% for equities, 25% to 50% for fixed income, and 3% to 20% for cash and equivalents, and authorizes investments in cash equivalents, fixed income securities, equity securities and mutual funds. The Statement specifically addresses the credit quality rating requirements on fixed income investments, permitting the purchase of investment grade bonds rated BBB or better.

Concentration of Credit Risk:

The Statement establishes limitations on portfolio composition by issuer in order to control concentration of credit risk as follows:

Government agency	Not to exceed 5% of the total fund
Company	Not to exceed 5% of the total fund
Industry	Not to exceed 20% of the total fund

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

As of June 30, 2005, excluding mutual funds, there were no investments that exceeded 5% of the total portfolio.

Interest Rate Risk:

As a means of limiting its exposure to fair value losses resulting from rising interest rates (interest rate risk), the Statement limits the maximum maturity for any single security to 30 years and the weighted average portfolio maturity may not exceed 10 years.

As of June 30, 2005, the System had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>		
		<u>0 to 5 Years</u>	<u>6 to 10 Years</u>	<u>More Than 10 Years</u>
Mutual Fund - Fixed Income	\$ 6,284,246	\$ -	\$ -	\$ 6,284,246

2. Industrial Development Authority (IDA) of Chesterfield County:

As of June 30, 2005, the carrying value of the IDA's deposits with their respective credit rating were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$5,619,388	N/A

The County acts as fiscal agent for the IDA. However, the IDA is not subject to the County's investment policy. The IDA does not have a formal investment policy that addresses credit risk, concentration of credit risk or interest rate risk. As of June 30, 2005, excluding the demand deposits, there were no investments. Accordingly, there is no credit risk, concentration of credit risk or interest rate risk.

3. Health Center Commission (HCC):

As of June 30, 2005, the carrying value of the HCC's deposits with their respective credit rating were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$6,193,875	N/A

The Commission's investment policy (the Policy) complies with the Code of Virginia and other applicable law, including regulations, that permits investments in U.S. Government obligations, municipal obligations, prime quality commercial paper, and certain corporate notes, bankers acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, and the Commonwealth Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

The Policy establishes limitations on the holdings of non-U.S. Government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in the Commonwealth of Virginia LGIP is a 100% maximum.

As of June 30, 2005, 100% of the Commission's portfolio was invested in the Commonwealth of Virginia LGIP account.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Virginia LGIP	\$4,357,090	1 Day

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

5. Receivables

A. Receivables at June 30, 2005, were as follows:

Governmental Activities	General Fund	County Capital Projects Fund	School Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Total
Taxes	\$ 130,387,729	\$ -	\$ -	\$ -	\$ -	\$ 130,387,729
Accounts	10,397,404	660,232	467,387	276,305	41,916	11,843,244
Interest	166,976	62,814	164	-	-	229,954
Commonwealth of Virginia	17,946,067	5,064,189	-	2,230,883	-	25,241,139
Federal government	<u>2,212,210</u>	<u>-</u>	<u>-</u>	<u>1,971,587</u>	<u>-</u>	<u>4,183,797</u>
Gross receivables	161,110,386	5,787,235	467,551	4,478,775	41,916	171,885,863
Less: Allowance for uncollectibles	<u>(7,191,492)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,191,492)</u>
Net receivables	<u>\$ 153,918,894</u>	<u>\$ 5,787,235</u>	<u>\$ 467,551</u>	<u>\$ 4,478,775</u>	<u>\$ 41,916</u>	<u>\$ 164,694,371</u>

Business-type Activities	Water Fund	Wastewater Fund	Non-major Airport Fund	Total
Accounts	\$ 4,370,336	\$ 4,118,632	\$ 60,675	\$ 8,549,643
Interest	101,859	449,934	-	551,793
Special assessments	298,907	1,124,184	-	1,423,091
Commonwealth of Virginia	-	-	187,055	187,055
Federal government	<u>-</u>	<u>-</u>	<u>28,328</u>	<u>28,328</u>
Gross receivables	4,771,102	5,692,750	276,058	10,739,910
Less: Allowance for uncollectibles	<u>(28,737)</u>	<u>(19,626)</u>	<u>-</u>	<u>(48,363)</u>
Net receivables	<u>\$ 4,742,365</u>	<u>\$ 5,673,124</u>	<u>\$ 276,058</u>	<u>\$ 10,691,547</u>

Component Units	School Board	Industrial Development Authority	Health Center Commission	Total
Accounts	\$ 189,790	\$ 76,268	\$ 1,419,583	\$ 1,685,641
Commonwealth of Virginia	1,941,654	-	-	1,941,654
Federal government	<u>4,413,818</u>	<u>-</u>	<u>-</u>	<u>4,413,818</u>
Gross receivables	6,545,262	76,268	1,419,583	8,041,113
Less: Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(188,625)</u>	<u>(188,625)</u>
Net receivables	<u>\$ 6,545,262</u>	<u>\$ 76,268</u>	<u>\$ 1,230,958</u>	<u>\$ 7,852,488</u>

Special assessments of \$269,755 and \$999,147, respectively in the Water and Wastewater funds in addition to \$138,972 of accrued interest on those special assessments in the Wastewater fund are the only receivables not expected to be collected within one year.

B. Real and Personal Property Taxes

Property tax revenues may be used to fund any general governmental services authorized by the Code of Virginia and the County Board. Property taxes levied by the County are not subject to any statutory maximum; however, a public hearing must be held prior to setting the current tax rate. The tax rate is set by the County Board in March or April and is applied to the assessed value as of January 1 of the calendar year. The assessed value of all classes of property approximates market value. January 1 is also the date an enforceable legal claim to the asset applies. Real property taxes are due June 5th and December 5th in two equal installments. Installments due on June 5, 2005, are levied for fiscal year 2005 and installments due on December 5, 2005, are levied for fiscal year 2006.

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

The County prorates personal property taxes levied on motor vehicles acquiring or losing situs (place where property is customarily kept) after January 1. Personal property taxes do not create a lien on property; however, County vehicle licenses, which are required by law for all vehicles garaged in the County, may not be issued to any individual having outstanding personal property taxes. Personal property taxes are payable on June 5 and levied for fiscal year 2005.

In April 1998, the Virginia General Assembly passed Senate Bill 4005, the Personal Property Tax Relief Act of 1998. The bill provides for the state to reimburse a portion of the tangible personal property tax levied on personal use cars, motorcycles and trucks. Reimbursement rates are contingent upon the state meeting revenue projections. If projections are not met, the rates to localities will be frozen at the previous level. The reimbursement rate was 70% for tax year 2005. Revenue for the state reimbursement is recorded as non-categorical aid from the state.

Beginning in tax year 2006, as a result of legislation passed during the 2004 General Assembly session to reduce a projected Commonwealth deficit, the Commonwealth will no longer reimburse localities at the current rate of 70% but will cap statewide reimbursements at \$950 million with each locality receiving a percentage based on tax year 2004 reimbursements.

6. Payables

Payables at June 30, 2005, were as follows:

A. Governmental Activities

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>School Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
Vendors	\$ 5,855,212	\$ 3,276,494	\$ 4,718,344	\$ 1,267,272	\$ 716,117	\$ 15,833,439
Wages and benefits	10,174,172	45,646	9,080	353,733	364,890	10,947,521
Retainages	-	1,503,314	1,531,176	-	-	3,034,490
Total	<u>\$ 16,029,384</u>	<u>\$ 4,825,454</u>	<u>\$ 6,258,600</u>	<u>\$ 1,621,005</u>	<u>\$ 1,081,007</u>	29,815,450
				Accrued interest		7,570,901
				Total per Government-wide		<u>\$ 37,386,351</u>

B. Business-type Activities

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Non-major Airport Fund</u>	<u>Total</u>
Vendors	\$ 2,521,496	\$ 3,072,779	\$ 175,562	\$ 5,769,837
Wages and benefits	435,821	410,681	16,755	863,257
Accrued interest	6,312,254	12,643,465	-	18,955,719
Retainages	450,793	221,222	-	672,015
Other	217,402	31,661	-	249,063
Total	<u>\$ 9,937,766</u>	<u>\$ 16,379,808</u>	<u>\$ 192,317</u>	<u>\$ 26,509,891</u>

C. Component Units

	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Health Center Commission</u>	<u>Total</u>
Vendors	\$ 2,303,304	\$ 67,086	\$ 796,696	\$ 3,167,086
Wages and benefits	26,265,344	-	738,795	27,004,139
Deposits	100,000	-	-	100,000
Total	<u>\$ 28,668,648</u>	<u>\$ 67,086</u>	<u>\$ 1,535,491</u>	<u>\$ 30,271,225</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2005

7. Interfund Transactions

Interfund receivable and payable balances at June 30, 2005 were as follows:

Fund	Interfund Receivables	Interfund Payables
A. Interfund Receivables/Payables Other Funds		
Governmental Activities:		
General Fund	\$ 1,695,759	\$ -
Non-major governmental funds:		
Comprehensive Services Fund	-	1,505,759
Total governmental activities	<u>1,695,759</u>	<u>1,505,759</u>
Business-type Activities:		
Non-major Airport Fund	-	190,000
Total primary government	<u>\$ 1,695,759</u>	<u>\$ 1,695,759</u>
B. Receivables/Payables Primary Government and Component Units		
Primary Government:		
General Fund	\$ 593,638	\$ 25,243,019
Component Units:		
School Board	25,243,019	-
Health Center Commission	-	593,638
Total component units	<u>25,243,019</u>	<u>593,638</u>
Total	<u>\$ 25,836,657</u>	<u>\$ 25,836,657</u>

During fiscal year 2001, the County made an advance to the Health Center Commission to provide funding for accounts payable balances and to support ongoing operations. Of the \$593,638 advance, \$100,000 is due in fiscal year 2006.

Other balances resulted from a timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

Transfers are used (1) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) to use revenues collected in the general fund to finance various grants, projects or programs accounted for in other funds in accordance with budgetary authorization and (3) to provide funding for capital expenditures or budgeted subsidies for operations. Interfund transfers in the fund financial statements during fiscal year 2005 were as follows:

Transfers In:

A. Governmental Activities

General Fund - County Capital Projects Fund	\$ 29,100	
Grants Fund	652	
Water Fund	<u>1,214,500</u>	\$ 1,244,252
County Capital Projects Fund - General Fund	11,090,098	
Water Fund	671,796	
Wastewater Fund	<u>478,396</u>	12,240,290
School Capital Projects Fund - General Fund	6,124,799	
Grants Fund	450,000	
County Capital Projects Fund	<u>647,875</u>	7,222,674
Grants Fund - General Fund		2,008,468
Comprehensive Services Fund - General Fund		2,153,437

B. Business-type Activities

Wastewater Fund - Grants Fund		63,300
Airport Fund - General Fund		182,434
Vehicle and Communications Maintenance Fund - General Fund	49,215	
Water Fund	<u>7,242</u>	<u>56,457</u>

Total transfers in \$ 25,171,312

Transfers Out:

A. Governmental Activities

General Fund - County Capital Projects Fund	\$ 11,090,098	
School Capital Projects Fund	6,124,799	
Grants Fund	2,008,468	
Comprehensive Services Fund	2,153,437	
Airport	<u>182,434</u>	\$ 21,559,236
County Capital Projects Fund - General Fund	29,100	
School Capital Projects Fund	<u>647,875</u>	676,975
Grants Fund - General Fund	652	
School Capital Projects Fund	450,000	
Wastewater Fund	<u>63,300</u>	513,952

B. Business-type Activities

Water Fund - General Fund	1,214,500	
County Capital Projects Fund	<u>671,796</u>	1,886,296
Wastewater Fund - County Capital Projects Fund		<u>478,396</u>

Total transfers out 25,114,855

Difference \$ 56,457

In the fund financial statements, total transfers in of \$25,171,312 are greater than total transfers out of \$25,114,855 because of the treatment of transfers of capital assets to the enterprise and internal service funds. During the year existing capital assets related to governmental funds, with a book value of \$56,457 were transferred to internal service funds. No amounts were reported in the governmental funds as the amounts did not involve the transfer of financial resources. However, the internal service funds did report transfers for the capital resources reassigned.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2005

8. Capital Assets

A. Governmental Activities

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2005</u>
Capital assets, not being depreciated:				
Land	\$ 34,281,003	\$ 10,411,774	\$ 206,000	\$ 44,486,777
Asset held for resale	-	9,225,000	-	9,225,000
Construction in progress	39,137,487	70,493,685	21,278,412	88,352,760
Total assets, not being depreciated	<u>73,418,490</u>	<u>90,130,459</u>	<u>21,484,412</u>	<u>142,064,537</u>
Capital assets, being depreciated:				
Buildings	709,384,053	8,969,189	38,441	718,314,801
Improvements other than buildings	45,956,167	1,173,323	155,246	46,974,244
Machinery and equipment	97,929,833	7,984,544	6,571,118	99,343,259
Infrastructure	27,740,394	829,495	-	28,569,889
Total at historical cost	881,010,447	18,956,551	6,764,805	893,202,193
Less accumulated depreciation for:				
Buildings	187,104,714	15,334,173	35,110	202,403,777
Improvements other than buildings	23,222,200	1,514,477	155,246	24,581,431
Machinery and equipment	49,243,925	7,491,770	6,281,357	50,454,338
Infrastructure	4,617,353	402,216	-	5,019,569
Total accumulated depreciation	<u>264,188,192</u>	<u>24,742,636</u>	<u>6,471,713</u>	<u>282,459,115</u>
Total capital assets, being depreciated, net	<u>616,822,255</u>	<u>(5,786,085)</u>	<u>293,092</u>	<u>610,743,078</u>
Governmental activities capital assets, net	<u>\$ 690,240,745</u>	<u>\$ 84,344,374</u>	<u>\$ 21,777,504</u>	<u>\$ 752,807,615</u>

In accordance with the County's charter, land, buildings, improvements other than buildings, construction in progress and accumulated depreciation associated with School assets are reported as capital assets in the governmental net assets of the County. Depreciation on those assets is reported as an expense of the education function in the governmental activities of the County.

Governmental activities capital assets, net of accumulated depreciation at June 30, 2005 are comprised of the following:

General capital assets, net	\$ 747,179,374
Internal service funds capital assets, net	<u>5,628,241</u>
Total	<u>\$ 752,807,615</u>

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

Depreciation expense was charged to the following functions:

Depreciation expense was charged to governmental functions as follows:

General government	\$ 1,429,451
Administration of justice	778,097
Public safety	5,743,078
Public works	1,084,428
Health and welfare	319,348
Parks, recreation and cultural	1,998,819
Education- School Board	12,244,778
Community development	27,428
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets.	1,117,209
Total depreciation expense	\$ 24,742,636

Construction in progress for governmental operations is composed of the following:

<u>Function</u>	<u>Authorization</u>	<u>Expended to June 30, 2005</u>	<u>Committed at June 30, 2005</u>
General government	\$ 12,822,975	\$ 3,813,955	\$ 9,009,020
Administration of justice	731,551	51,159	680,392
Public safety	46,686,369	36,856,194	9,830,175
Public works	1,964,500	197,705	1,766,795
Parks, recreation and cultural	13,565,785	3,539,358	10,026,427
Education - School Board	88,907,087	38,649,789	50,257,298
Community development	23,170,181	5,244,600	17,925,581
Total construction in progress	\$ 187,848,448	\$ 88,352,760	\$ 99,495,688

B. Business-type Activities

Capital asset activity for the year ended June 30, 2005, was as follows:

Water Fund	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets, not being depreciated:				
Land	\$ 1,095,948	\$ 12,700.00	\$ -	\$ 1,108,648
Construction in progress	12,205,919	12,320,767	17,027,831	7,498,855
Total assets, not being depreciated	13,301,867	12,333,467	17,027,831	8,607,503
Capital assets, being depreciated:				
Buildings	31,394,378	1,385,873	-	32,780,251
Improvements other than buildings	4,639,608	74,908	-	4,714,516
Machinery and equipment	238,407,642	23,529,910	457,130	261,480,422
Totals at historical cost	274,441,628	24,990,691	457,130	298,975,189
Less accumulated depreciation for:				
Buildings	9,364,221	849,221	-	10,213,442
Improvements other than buildings	2,116,536	160,713	-	2,277,249
Machinery and equipment	66,195,711	5,448,637	338,920	71,305,428
Total accumulated depreciation	77,676,468	6,458,571	338,920	83,796,119
Total capital assets, being depreciated, net	196,765,160	18,532,120	118,210	215,179,070
Water capital assets, net	\$ 210,067,027	\$ 30,865,587	\$ 17,146,041	\$ 223,786,573

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

	Balance <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2005</u>
Wastewater Fund				
Capital assets, not being depreciated:				
Land	\$ 428,837	\$ -	\$ -	\$ 428,837
Construction in progress	<u>5,833,398</u>	<u>11,459,790</u>	<u>2,457,435</u>	<u>14,835,753</u>
Total assets, not being depreciated	<u>6,262,235</u>	<u>11,459,790</u>	<u>2,457,435</u>	<u>15,264,590</u>
Capital assets, being depreciated:				
Buildings	98,323,996	500,901	-	98,824,897
Improvements other than buildings	15,700,306	168,198	-	15,868,504
Machinery and equipment	<u>278,935,196</u>	<u>14,648,767</u>	<u>235,792</u>	<u>293,348,171</u>
Totals at historical cost	<u>392,959,498</u>	<u>15,317,866</u>	<u>235,792</u>	<u>408,041,572</u>
Less accumulated depreciation for:				
Buildings	27,720,140	2,206,012	-	29,926,152
Improvements other than buildings	6,197,053	394,673	-	6,591,726
Machinery and equipment	<u>101,756,828</u>	<u>6,075,453</u>	<u>222,778</u>	<u>107,609,503</u>
Total accumulated depreciation	<u>135,674,021</u>	<u>8,676,138</u>	<u>222,778</u>	<u>144,127,381</u>
Total capital assets, being depreciated, net	<u>257,285,477</u>	<u>6,641,728</u>	<u>13,014</u>	<u>263,914,191</u>
Wastewater capital assets, net	<u>\$ 263,547,712</u>	<u>\$ 18,101,518</u>	<u>\$ 2,470,449</u>	<u>\$ 279,178,781</u>
 Non-major Airport Fund				
Capital assets, not being depreciated:				
Land	\$ 1,663,935	\$ -	\$ -	\$ 1,663,935
Construction in progress	<u>522,556</u>	<u>1,109,586</u>	<u>447,294</u>	<u>1,184,848</u>
Total assets, not being depreciated	<u>2,186,491</u>	<u>1,109,586</u>	<u>447,294</u>	<u>2,848,783</u>
Capital assets, being depreciated:				
Buildings	5,406,530	-	-	5,406,530
Improvements other than buildings	13,073,001	412,187	-	13,485,188
Machinery and equipment	<u>667,320</u>	<u>50,123</u>	<u>(3,999)</u>	<u>721,442</u>
Totals at historical cost	<u>19,146,851</u>	<u>462,310</u>	<u>(3,999)</u>	<u>19,613,160</u>
Less accumulated depreciation for:				
Buildings	1,441,222	110,210	-	1,551,432
Improvements other than buildings	6,458,054	545,094	-	7,003,148
Machinery and equipment	<u>349,207</u>	<u>37,157</u>	<u>(3,999)</u>	<u>390,363</u>
Total accumulated depreciation	<u>8,248,483</u>	<u>692,461</u>	<u>(3,999)</u>	<u>8,944,943</u>
Total capital assets, being depreciated, net	<u>10,898,368</u>	<u>(230,151)</u>	<u>-</u>	<u>10,668,217</u>
Airport capital assets, net	<u>13,084,859</u>	<u>879,435</u>	<u>447,294</u>	<u>13,517,000</u>
Business-type activities capital assets, net	<u>\$ 486,699,598</u>	<u>\$ 49,846,540</u>	<u>\$ 20,063,784</u>	<u>\$ 516,482,354</u>

Depreciation was charged to the various activities as follows:

Water	\$ 6,458,571
Wastewater	8,676,138
Airport	<u>692,461</u>
Total depreciation expense	<u>\$ 15,827,170</u>

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

C. Component Units

Capital asset activity for the year ended June 30, 2005, for the School Board was as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2005</u>
Capital assets, being depreciated:				
Machinery and equipment				
Historical cost	\$ 44,240,203	\$ 4,858,344	\$ 1,036,794	\$ 48,061,753
Less accumulated depreciation	33,599,629	3,727,267	1,036,271	36,290,625
School Board capital assets, net	<u>\$ 10,640,574</u>	<u>\$ 1,131,077</u>	<u>\$ 523</u>	<u>\$ 11,771,128</u>

Current year depreciation on capital assets of the School Board was \$3,727,267.

Capital asset activity for the year ended June 30, 2005, for the Industrial Development Authority was as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2005</u>
Capital assets, not being depreciated:				
Option to purchase land	\$ 50,000	\$ -	\$ 50,000	\$ -
Land improvements	14,500	-	-	14,500
Land	<u>2,492,428</u>	<u>12,991,100</u>	<u>-</u>	<u>15,483,528</u>
	<u>\$ 2,556,928</u>	<u>\$ 12,991,100</u>	<u>\$ 50,000</u>	<u>\$ 15,498,028</u>

Capital asset activity for the year ended June 30, 2005, for the Health Center Commission was as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2005</u>
Capital assets, not being depreciated:				
Land	\$ 112,579	\$ -	\$ -	\$ 112,579
Construction in progress	162,560	775,705	-	938,265
Total assets, not being depreciated	<u>275,139</u>	<u>775,705</u>	<u>-</u>	<u>1,050,844</u>
Capital assets, being depreciated:				
Buildings	27,643,054	176,097	-	27,819,151
Improvements other than buildings	2,166,427	3,422	-	2,169,849
Machinery and equipment	4,306,412	127,980	-	4,434,392
Total at historical cost	<u>34,115,893</u>	<u>307,499</u>	<u>-</u>	<u>34,423,392</u>
Less accumulated depreciation for:				
Buildings	8,011,778	1,109,564	-	9,121,342
Improvements other than buildings	413,846	71,632	-	485,478
Machinery and equipment	2,332,226	249,361	-	2,581,587
Total accumulated depreciation	<u>10,757,850</u>	<u>1,430,557</u>	<u>-</u>	<u>12,188,407</u>
Total capital assets, being depreciated, net	<u>23,358,043</u>	<u>(1,123,058)</u>	<u>-</u>	<u>22,234,985</u>
Capital assets, net	<u>\$ 23,633,182</u>	<u>\$ (347,353)</u>	<u>\$ -</u>	<u>\$ 23,285,829</u>

Current year depreciation on capital assets of the Health Center Commission was \$1,430,557.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2005

9. Long-term Debt

A. General Obligation Bonds and State Literary Fund Loans

Chesterfield County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the primary government and including those used by the School Board component unit. State literary fund loans are approved for school capital projects. The 2004 voter-approved bond election authorized \$341,745,000 in bonds to be issued in five major project categories. \$324,500,000 of this authorization remained at June 30, 2005. General obligation bonds are direct obligations and pledge the full faith and credit of the County. The general obligation bonds and state literary fund loans are payable from the General Fund. At June 30, 2005, the amount outstanding of general obligation bonds and state literary fund loans were as follows:

	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
General Obligation Bonds				
1991 General Improvement & Refunding, due 2007	\$ 82,610,000	6.25%	\$ 425,000 - \$1,545,000	\$ 1,970,000
1994A School Refunding, due 2008	14,750,000	8.10	305,000	915,000
1995A School, due 2016	15,160,000	5.40 - 5.975	755,000 - 760,000	8,320,000
1995C School, due 2016	26,175,000	5.10 - 6.10	1,305,000 - 1,310,000	14,385,000
1997 General Improvement, due 2007	12,800,000	4.80 - 4.90	640,000	1,280,000
1998 General Improvement & Refunding, due 2012	79,485,000	4.30 - 5.00	1,440,000 - 5,245,000	17,705,000
1999 General Improvement & Refunding, due 2019	75,625,000	4.00 - 4.50	535,000 - 8,890,000	43,070,000
2000 General Improvement, due 2010	38,050,000	5.00 - 6.00	1,905,000	9,525,000
2001 General Improvement, due 2021	60,355,000	4.00 - 5.00	2,980,000 - 3,020,000	30,155,000
2002 General Improvement, due 2022	23,280,000	3.375 - 5.00	1,160,000 - 1,165,000	19,785,000
2002B School, due 2023	23,950,000	4.10 - 5.10	1,195,000 - 1,200,000	21,550,000
2003 General Refunding, due 2011	32,450,000	2.25 - 4.125	1,545,000 - 4,805,000	22,495,000
2003B School Refunding, due 2013	4,580,000	6.10 - 6.30	415,000 - 420,000	3,755,000
2004 School, due 2025	56,825,000	2.75 - 5.00	2,840,000 - 2,845,000	56,825,000
2004 General Refunding, due 2020	60,110,000	3.00 - 5.00	465,000 - 8,180,000	59,620,000
2005 General Improvement & Refunding, due 2025	36,775,000	2.50 - 5.00	905,000 - 5,505,000	<u>36,775,000</u>
Total general obligation bonds				348,130,000
Add: Premium				11,208,150
Less: Deferred amount on refunding				<u>6,937,922</u>
Net general obligation bonds				<u>352,400,228</u>
 State Literary Fund Loans	 \$26,475,319	 3.00 - 4.00%	 \$ 55,218 - \$1,447,850	 <u>\$ 2,079,718</u>

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

Annual debt service requirements to maturity for general obligation bonds and state literary fund loans are as follows:

Year Ending	General Obligation Bonds			State Literary Fund Loans		
June 30	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 31,925,000	\$ 15,160,624	\$ 47,085,624	\$ 745,500	\$ 65,392	\$ 810,892
2007	29,360,000	14,180,171	43,540,171	608,000	42,027	650,027
2008	27,805,000	12,938,126	40,743,126	608,000	22,787	630,787
2009	27,235,000	11,791,604	39,026,604	63,000	3,547	66,547
2010	25,710,000	10,661,417	36,371,417	55,218	1,657	56,875
2011-2015	105,065,000	37,025,990	142,090,990	-	-	-
2016-2020	82,500,000	16,125,471	98,625,471	-	-	-
2021-2025	18,530,000	1,754,565	20,284,565	-	-	-
Total	\$ 348,130,000	\$ 119,637,968	\$ 467,767,968	\$ 2,079,718	\$ 135,410	\$ 2,215,128

B. Revenue Bonds

The County issued bonds to finance construction projects for the Water and Wastewater enterprise funds and the Health Center Commission issued bonds to finance construction projects. Revenue bonds outstanding at June 30, 2005, are as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
Primary Government				
Business-type activities:				
1992 Water and Sewer				
Refunding, due 2011	\$19,705,000	6.20 - 6.375%	\$355,000 - \$485,000	\$ 2,510,000
1992A Water and Sewer				
Refunding, due 2011	39,903,968	6.30 - 6.50	2,016,452 - 3,084,642	14,738,891
2002 Water and Sewer				
Refunding, due 2011	8,610,000	2.75 - 4.00	1,020,000 - 1,205,000	6,640,000
Total revenue bonds				23,888,891
Less: Discounts				47,612
Deferred amount on refunding				177,355
Net revenue bonds				<u>\$ 23,663,924</u>

The Water and Wastewater Funds are responsible for the revenue bonds as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Total revenue bonds	\$ 7,955,000	\$15,933,891	\$ 23,888,891
Net revenue bonds	7,880,087	15,783,837	23,663,924

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
Component Unit				
Health Center Commission				
2005 Mortgage revenue and				
refunding bonds, due 2040	\$ 27,285,000	3.40 - 5.625%	\$150,000 - \$1,670,000	\$ 27,285,000
Less: Discount and deferrals				1,648,076
Net mortgage revenue and				
refunding bonds				<u>\$ 25,636,924</u>

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

Debt service requirements to maturity for the revenue bonds are as follows:

Year Ending	<u>Primary Government</u>			<u>Component Unit</u>		
	<u>Enterprise Funds</u>			<u>Health Center Commission</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 4,037,005	\$ 3,808,326	\$ 7,845,331	\$ 150,000	\$ 1,564,776	\$ 1,714,776
2007	3,918,576	3,939,006	7,857,582	295,000	1,436,316	1,731,316
2008	3,810,398	4,048,651	7,859,049	355,000	1,424,313	1,779,313
2009	3,716,821	4,153,111	7,869,932	370,000	1,410,488	1,780,488
2010	3,631,451	4,233,920	7,865,371	385,000	1,395,619	1,780,619
2011-2015	4,774,640	6,959,918	11,734,558	2,185,000	6,713,594	8,898,594
2016-2020	-	-	-	2,735,000	6,136,047	8,871,047
2021-2025	-	-	-	3,535,000	5,308,603	8,843,603
2026-2030	-	-	-	4,585,000	4,221,853	8,806,853
2031-2035	-	-	-	6,025,000	2,759,767	8,784,767
2036-2040	-	-	-	6,665,000	844,172	7,509,172
Total	<u>\$ 23,888,891</u>	<u>\$ 27,142,932</u>	<u>\$ 51,031,823</u>	<u>\$ 27,285,000</u>	<u>\$ 33,215,548</u>	<u>\$ 60,500,548</u>

C. Public Facility Lease Revenue Bonds, Certificates of Participation and Taxable Redevelopment Facility Note

The County is a party to five Real Property Lease/Purchase Agreements. One agreement is structured with Public Facility Lease Revenue Bonds, three with Certificates of Participation issued over various years and one with a Taxable Redevelopment Facility Note. Obligations under these leases are to be liquidated by the General Fund and the non-major Airport Fund.

In the public facility lease revenue bonds transaction dated April 1, 1999, the County leases a new Juvenile and Domestic Relations Courts Building from the lessor for a lease term ending November 1, 2019. Public Facility Lease Revenue Bonds evidencing owners' interest were issued to finance the new Juvenile Courts Building.

Under the second agreement dated January 1, 2001, the County leases the Juvenile Detention Home, the old Juvenile and Domestic Relations Courts Building, the Information Systems Technology Building and an Airport Hangar Building. Certificates of Participation evidencing owners' interest in the lease payments made by the County to the lessor were issued to finance construction and renovation of these buildings.

Under the third agreement dated March 1, 2003, the County leases the real property together with the new County Jail and all other buildings, structures, improvements and equipment located thereon. Certificates of Participation evidencing owners' interest in the lease payments made by the County to the lessor were issued to finance acquisition, construction, installation, furnishing and equipping the new County Jail.

Under the fourth agreement dated March 1, 2004, the County leases real property incorporating a new Community Development Building, a replacement Chester House Rehabilitative Facility, and a new Airport Hangar. Certificates of Participation Series 2004B were issued to finance a portion of the cost of the acquisition, construction, installation, furnishing and equipping of a new Community Development Building, the Chester House Rehabilitative Facility, an Airport Hangar Project at the Chesterfield County Airport, as well as an Emergency Systems Integration Project.

In the Taxable Redevelopment Facility Note dated October 1, 2004, the County leases real property incorporating the Cloverleaf Mall property. The County intends to transfer the property for long-term redevelopment to private sector interests and to retire the note with proceeds from the sale. The County is reporting an asset held for resale in its government-wide statements.

In each of these leases, the County acts as the lessor's agent for the construction and furnishing of these buildings pursuant to the design of architects engaged by the County. The County is required, subject to annual

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

appropriations by the Board of Supervisors, under the Real Property Lease/Purchase Agreements to make lease payments to a trustee, as assignee of the lessor. These payments will be sufficient for the trustee to pay debt service on the Public Facility Lease Revenue Bonds, the Certificates of Participation and the Taxable Redevelopment Note as and when due. At the expiration of the lease terms, title to the buildings will vest in the County if the County has made all lease payments required under the Agreements.

Amounts outstanding as of June 30, 2005 on the Public Facility Lease, the Certificates of Participation and the Taxable Redevelopment Note are as follows:

	Original Issue Amount	Interest Rates	Annual Principal Requirements	Amount Outstanding
Governmental Activities				
1999 Public Facility Lease, due 2020	\$ 16,100,000	4.00 - 4.75%	\$805,000	\$ 12,075,000
2001 Certificates of Participation, due 2022	13,310,000	4.00 - 5.00	539,250 - 899,250	10,612,250
2003A Certificates of Participation, due 2022	3,070,000	2.125 - 4.20	170,000 - 175,000	2,900,000
2003B Certificates of Participation, due 2024	3,030,000	2.125 - 4.40	150,000 - 155,000	2,880,000
2004A Certificates of Participation, due 2024	14,980,000	3.00 - 4.20	785,000 - 790,000	14,980,000
2004B Certificates of Participation, due 2025	5,982,795	3.00 - 4.20	295,288 - 299,568	5,982,795
2004 Taxable Redevelopment Facility Note	9,225,000	Variable*	0 - 9,225,000	9,225,000
2005A Certificates of Participation, due 2016	4,300,000	3.75	430,000	4,300,000
2005B Certificates of Participation, due 2025	8,500,000	3.75 - 4.25	445,000 - 455,000	8,500,000
2005C Certificates of Participation, due 2016	1,245,000	3.75	120,000 - 125,000	<u>1,245,000</u>
Total governmental activities				72,700,045
Add: Premium				<u>428,017</u>
Net governmental activities				<u>\$ 73,128,062</u>
Business-type Activities				
2001 Certificates of Participation, due 2022	\$ 415,000	4.00 - 5.00%	\$ 20,750	\$ 352,750
2004B Certificates of Participation, due 2025	1,007,205	3.00 - 4.20	49,712 - 50,432	1,007,205
2005B Certificates of Participation, due 2025	450,000	3.75 - 4.25	20,000 - 25,000	<u>450,000</u>
Net business-type activities				<u>1,809,955</u>
Total obligations				<u>\$ 74,938,017</u>

* The interest rate will be the LIBOR Market Index Rate plus 0.35%, as that rate may change from day to day. "LIBOR Market Index Rate", for any day, is the rate for 1 month U. S. dollar deposits as reported on Telerate page 3750 as of 11:00 a.m., London time, on such day, or if such day is not a London business day, then the immediately preceding London business day (or if not so reported, then as determined by Bank from another recognized source or inter-bank quotation).

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

Annual debt service requirements to maturity for the Public Facility Lease, the Certificates of Participation and the Taxable Redevelopment Note are as follows:

Year Ending	Governmental Activities			Business-Type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>						
2006	\$ 3,113,818	\$ 2,986,515	\$ 6,100,333	\$ 71,182	\$ 67,631	\$ 138,813
2007	13,348,818	2,412,417	15,761,235	91,182	64,897	156,079
2008	4,118,818	2,139,141	6,257,959	91,182	61,385	152,567
2009	4,113,818	1,985,268	6,099,086	91,182	58,125	149,307
2010	3,768,818	1,842,825	5,611,643	91,182	55,032	146,214
2011-2015	18,789,088	7,110,889	25,899,977	475,912	225,951	701,863
2016-2020	18,942,906	3,872,821	22,815,727	577,094	150,358	727,452
2021-2025	6,503,961	440,193	6,944,154	321,039	25,464	346,503
Total	<u>\$ 72,700,045</u>	<u>\$ 22,790,069</u>	<u>\$ 95,490,114</u>	<u>\$ 1,809,955</u>	<u>\$ 708,843</u>	<u>\$ 2,518,798</u>

D. Capital Leases

The County has acquired equipment under capital lease arrangements with a historical cost and original issue amount of \$1,562,958 and accumulated depreciation of \$1,285,055 including current year amortization of \$309,346. The interest rates vary between 5.31% and 9.50% and annual principal payments range from \$4,522 to \$151,300 per fiscal year. The Health Center Commission purchased equipment by means of a capital lease arrangement with an original issue amount of \$52,067. A payment of \$26,473 was made in fiscal year 2005 and the lease obligation was met. Capital leases are to be liquidated by the General Fund. Future minimum lease payments at June 30, 2005, for these capital leases are as follows:

Year Ending	<u>Primary Government</u> <u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2006	\$ 147,528	\$ 40,283	\$ 187,811
2007	172,991	68,365	241,356
2008	180,465	61,972	242,437
2009	188,353	55,299	243,652
2010	196,566	48,332	244,898
2011-2015	700,800	154,572	855,372
2016-2018	424,086	24,971	449,057
Total	<u>\$ 2,010,789</u>	<u>\$ 453,794</u>	<u>\$ 2,464,583</u>

E. Judgments, Claims, and Compensated Absences Payable

The County has recorded a liability for workers' compensation claims in the government-wide statements for the primary government and the School Board component unit and in the fund financial statements of the proprietary funds. The workers' compensation liability recorded is \$4,901,941 for the governmental activities of the primary government, \$206,089 for the business-type activities of the primary government and \$3,886,058 for the School Board component unit. A liability of \$5,513,551 has been recorded for judgment and claims in the Risk Management Fund. These liabilities consist of a) liabilities for claims incurred, reported and outstanding as of June 30, 2005 and b) liabilities for claims incurred but not reported as of June 30, 2005. These liabilities have been estimated based upon a case-by-case review, investigation and historical experience. Payments for workers compensation liabilities are recorded as a charge to the fund that incurred the liability. Judgments and claims recorded in the Risk Management Fund are payable from the Risk Management Fund.

County of Chesterfield, Virginia

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June 30, 2005

The County has recorded a liability for compensated absences in the Statement of Net Assets of the government-wide statements for the primary government and the School Board component unit and in the fund financial statements of the proprietary funds. The governmental activities of the primary government recorded \$14,006,884 and \$3,738,194 for accrued vacation and sick leave benefits, respectively and the business-type activities of the primary government recorded \$876,395 and \$410,392 for accrued vacation and sick leave benefits, respectively. The School Board component unit recorded \$8,501,532 and \$7,534,839 for accrued vacation/personal leave and sick leave benefits, respectively. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

In October 1991, the Environmental Protection Agency (EPA) issued a rule establishing municipal solid waste landfills (MSWLF) closure requirements for all MSWLF's that accept solid waste after October 9, 1991 and postclosure requirements for all MSWLF's that accept solid waste after October 9, 1993. The County operated one landfill, which was closed on October 8, 1993. The state and federal laws and regulations require the County to place a final cover on the landfill and to perform certain maintenance and monitoring functions at the site for 10 years after closure. The County completed the final cover during fiscal year 1995 and has 2 years remaining to perform its postclosure care maintenance as of June 30, 2005. The landfill postclosure care liability of \$199,000 (included in judgments and claims) at June 30, 2005, represents the estimated total current cost of landfill closure and postclosure care, based on the use of 100 percent of the estimated capacity for the landfill. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County is not required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care due to the closing of the landfill prior to the October 9, 1993, MSWLF postclosure requirements date. The County expects to pay postclosure care cost, including additional postclosure care cost (due to inflation, changes in technology or applicable laws or regulations, for example), from the General Fund with charges to users of the County's solid waste transfer stations, General Fund tax revenue and/or General Fund reserves.

F. Retirement Plan Obligations

As required by GASB Statement Number 27, a long-term liability was recorded for the VRS Pension Plan, the County Supplemental Retirement Plan and the School Board Supplemental Retirement Program for the difference between the Annual Required Contribution and the amount actually contributed. The governmental activities of the primary government recorded \$2,648,428 and \$239,561 for the VRS Pension Plan and the County Supplemental Retirement Plan, respectively, and the business-type activities of the primary government recorded \$245,208 and \$21,075 for the VRS Pension Plan and the County Supplemental Retirement Plan, respectively. The School Board component unit recorded a liability of \$762,884 and a prepaid asset of \$6,427,734 for the VRS Pension Plan and the Supplemental Retirement Program, respectively. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

G. Support Agreement

On January 1, 2005, the County and the IDA entered into an Amended and Restated Development Agreement (Agreement). The Agreement obligates the County to make support payments on behalf of the IDA on a periodic basis in an amount equal to the debt service on the Variable Rate Revenue Bonds, Series 2005A and Taxable Series 2005B issued by the IDA in the amount of \$18,120,000 on January 27, 2005. These bonds were issued to provide funds for the acquisition of real property for the Meadowville Technology Park including areas to be preserved as wetlands and used to build a system of streets and roads and other infrastructure improvements within the Park. The Bonds are limited obligations of the Authority, payable solely from payments made by the County, pursuant to the Agreement. The bonds are not a general obligation debt of the County and payments made pursuant to the Agreement are subject to annual appropriation by the Board of Supervisors. For the year ended June 30, 2005, the General Fund paid \$164,273 in interest on behalf of the Authority.

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

The Support Agreement annual debt service requirements to maturity are as follows:

Year Ending	Primary Government		
	Taxable Redevelopment Facility Notes		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 800,000	\$ 455,911	\$ 1,255,911
2007	810,000	434,838	1,244,838
2008	820,000	414,231	1,234,231
2009	830,000	391,143	1,221,143
2010	840,000	370,002	1,210,002
2011-2015	4,375,000	1,511,162	5,886,162
2016-2020	4,665,000	918,684	5,583,684
2021-2025	<u>4,980,000</u>	<u>285,275</u>	<u>5,265,275</u>
Total	<u>\$ 18,120,000</u>	<u>\$ 4,781,246</u>	<u>\$ 22,901,246</u>

H. Defeased Debt

On March 1, 2005, the County issued \$19.53 million in General Obligation Public Improvement Refunding Bonds with an average interest rate of 4.45%. Proceeds of \$21.1 million (including the premium of \$1.6 million and the deduction of \$0.1 million in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to pay interest when due on the refunded bonds up to and including their redemption dates and to pay the redemption prices on their respective redemption dates. The refunding includes: advance refunding of \$12.86 million outstanding principal amount of the County's General Obligation Public Improvement Bonds, Series A of 1998, with an average interest rate of 4.71%, dated January 15, 1998, maturing on January 1 in each of the years 2015 through 2018, which are subject to redemption and are to be redeemed on January 1, 2008 and 7.405 million outstanding principal amount of the County's General Obligation Public Improvement Bonds Series A of 1999, with an average interest rate of 4.4%, dated January 15, 1999 maturing on January 1 in each of the years 2012 through 2016, both inclusive, which are subject to redemption and are to be redeemed on January 1, 2009. As a result of this transaction, the selected maturities of the bonds are considered to be defeased and the assets in the related escrow account for those issues are not reflected in the accompanying financial statements.

The advance refunding resulted in the recognition of an accounting loss of \$.778 million for the year ended June 30, 2005, however the County in effect reduced its aggregate debt service payments by \$1.124 million over the next 13 years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$.856 million.

In prior years, the County defeased certain general obligation and revenue bonds by placing funds in irrevocable escrow accounts to provide for future debt service payments on the defeased debt. Accordingly, the escrow account assets and the liability for the defeased debt are not included in the County's financial statements. At June 30, 2005, the outstanding balance of the defeased debt was \$85.045 million of general obligation bonds.

In May 2005, the Health Center Commission issued \$27,285,000 in Mortgage Revenue and Refunding Bonds, Series 2005, at interest rates ranging from 3.4% to 5.625%. The bonds were issued for the purpose of refunding the outstanding principal amount of the Mortgage Revenue Bonds, Series 1996, funding a debt service reserve fund for the Series 2005 Bonds, financing pre-construction development expenditures related to the marketing and development of a proposed expansion of the facility and to pay a portion of the expenses incurred in connection with the issuance of the Series 2005 Bonds. Approximately \$20,200,000 was placed into an escrow account to defease the Series 1996 Bonds. The Health Center Commission was legally released from any payment obligation related to this prior debt thus, the related debt was removed from the 2005 statement of net assets. This transaction resulted in a loss of \$1,250,282 in 2005 on the early retirement of debt, including the write-off of related deferred bond issuance costs and bond discount.

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

I. Changes in Long-term Obligations

The following is a summary of long-term obligation transactions for the year ended June 30, 2005:

	Balance <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2005</u>	Amounts Due Within <u>One-Year</u>
Governmental Activities					
General obligation bonds	\$ 361,895,000	\$ 36,775,000	\$ 50,540,000	\$ 348,130,000	\$ 31,925,000
Add: Premium	10,355,290	2,000,698	1,147,838	11,208,150	1,298,966
Less: Deferred amount on refunding	7,005,865	778,376	846,319	6,937,922	941,395
Net bonds payable	365,244,425	37,997,322	50,841,519	352,400,228	32,282,571
School literary fund loans	3,404,218	-	1,324,500	2,079,718	745,500
Certificates of participation	38,574,295	14,045,000	1,219,250	51,400,045	2,308,818
Add: Premium	250,759	193,226	15,968	428,017	47,172
Net certificates of participation	38,825,054	14,238,226	1,235,218	51,828,062	2,355,990
Public facility lease	12,880,000	-	805,000	12,075,000	805,000
Taxable redevelopment facility note	-	9,225,000	-	9,225,000	-
Other lease purchases	279,391	1,947,200	215,802	2,010,789	147,528
Total bonds, leases and loans	420,633,088	63,407,748	54,422,039	429,618,797	36,336,589
Other liabilities:					
Compensated absences	16,545,781	14,333,055	13,133,758	17,745,078	13,121,301
Judgments and claims	10,651,176	4,475,213	4,511,897	10,614,492	1,568,621
Retirement plan obligations	2,950,247	16,983,780	17,046,038	2,887,989	-
Support agreement	-	18,120,000	-	18,120,000	800,000
Total other liabilities	30,147,204	53,912,048	34,691,693	49,367,559	15,489,922
Total long-term liabilities	\$ 450,780,292	\$ 117,319,796	\$ 89,113,732	\$ 478,986,356	\$ 51,826,511

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$447,547 for compensated absences, \$5,513,551 for judgments and claims and \$81,963 for retirement plan obligations for internal service funds are included in the above amounts. Except for the amounts for internal service funds, the long-term liabilities for governmental activities are generally liquidated by the General Fund.

	Balance <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2005</u>	Amounts Due Within <u>One-Year</u>
Business-Type Activities					
<u>Water Fund</u>					
Revenue bonds payable	\$ 9,354,143	\$ -	\$ 1,399,143	\$ 7,955,000	\$ 1,376,194
Less: Discounts	21,696	-	5,843	15,853	5,842
Deferred amount on refunding	80,220	-	21,160	59,060	21,160
Net bonds payable	9,252,227	-	1,372,140	7,880,087	1,349,192
Other liabilities:					
Compensated absences	741,275	460,655	426,407	775,523	505,071
Judgments and claims	-	277,332	195,485	81,847	26,191
Retirement plan obligations	168,231	728,823	732,296	164,758	-
Total other liabilities	909,506	1,466,810	1,354,188	1,022,128	531,262
Total long-term liabilities	\$ 10,161,733	\$ 1,466,810	\$ 2,726,328	\$ 8,902,215	\$ 1,880,454

County of Chesterfield, Virginia
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June 30, 2005

	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due Within One-Year</u>
Wastewater Fund					
Revenue bonds payable	\$ 18,736,378	\$ -	\$ 2,802,487	\$ 15,933,891	\$ 2,746,768
Less: Discounts	43,461	-	11,702	31,759	11,702
Deferred amount on refunding	160,680	-	42,385	118,295	42,384
Net bonds payable	18,532,237	-	2,748,400	15,783,837	2,692,682
Other liabilities:					
Compensated absences	479,627	442,408	432,507	489,528	325,618
Judgments and claims	-	264,052	153,005	111,047	35,535
Retirement plan obligations	99,028	683,223	685,268	96,983	-
Total other liabilities	578,655	1,389,683	1,270,780	697,558	361,153
Total long-term liabilities	<u>\$ 19,110,892</u>	<u>\$ 1,389,683</u>	<u>\$ 4,019,180</u>	<u>\$ 16,481,395</u>	<u>\$ 3,053,835</u>
Non-major - Airport Fund					
Certificates of participation	\$ 1,380,705	\$ 450,000	\$ 20,750	\$ 1,809,955	\$ 71,182
Other liabilities:					
Compensated absences	17,263	22,376	17,903	21,736	13,735
Judgments and claims	-	37,424	24,229	13,195	4,222
Retirement plan obligations	4,637	28,995	29,090	4,542	-
Total other liabilities	21,900	88,795	71,222	39,473	17,957
Total long-term liabilities	<u>\$ 1,402,605</u>	<u>\$ 538,795</u>	<u>\$ 91,972</u>	<u>\$ 1,849,428</u>	<u>\$ 89,139</u>
Total business-type activities long-term liabilities	<u>\$ 30,675,230</u>	<u>\$ 3,395,288</u>	<u>\$ 6,837,480</u>	<u>\$ 27,233,038</u>	<u>\$ 5,023,428</u>

Summaries of long-term obligation transactions for Component Units for the year ended June 30, 2005 are as follows:

	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due Within One-Year</u>
School Board					
Compensated absences	\$ 14,170,425	\$ 5,024,501	\$ 3,158,555	\$ 16,036,371	\$ 10,423,641
Judgments and claims	3,213,695	1,836,624	1,164,261	3,886,058	1,243,539
Retirement plan obligations*	(2,185,307)	7,319,488	10,799,031	(5,664,850)	-
Total long-term liabilities	<u>\$ 15,198,813</u>	<u>\$ 14,180,613</u>	<u>\$ 15,121,847</u>	<u>\$ 14,257,579</u>	<u>\$ 11,667,180</u>

*The retirement plan obligations for the School Board component unit includes a negative net pension obligation for the Supplemental Retirement Program of \$6,427,734. This amount is included as a prepaid asset in the government-wide statements.

	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due within One-Year</u>
Industrial Development Authority					
Revenue bonds payable	\$ -	\$ 18,120,000	\$ -	\$ 18,120,000	\$ 800,000
Less: Discounts	-	11,626	-	11,626	1,100
Net bonds payable	<u>\$ -</u>	<u>\$ 18,108,374</u>	<u>\$ -</u>	<u>\$ 18,108,374</u>	<u>\$ 798,900</u>
Health Center Commission					
Revenue bonds payable	\$ 20,233,826	\$ -	\$ 20,233,826	\$ -	\$ -
Less: Discounts	75,755	-	75,755	-	-
Mortgage revenue and refunding bonds	-	27,285,000	-	27,285,000	150,000
Less: Discounts and deferrals	-	1,651,921	3,845	1,648,076	26,686
Net bonds payable	20,158,071	25,633,079	20,154,226	25,636,924	123,314
Lease purchases	25,594	-	25,594	-	-
Total long-term liabilities	<u>\$ 20,183,665</u>	<u>\$ 25,633,079</u>	<u>\$ 20,179,820</u>	<u>\$ 25,636,924</u>	<u>\$ 123,314</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2005

J. Long-term Debt Issued on Behalf of the School Board Component Unit

According to State law, the School Board component unit is not allowed to issue general obligation debt and, therefore, is not legally obligated to repay general obligation debt issued on its behalf by the primary government. The amount of general obligation debt and lease obligations reported in the government-wide statements of the primary government on behalf of the School Board component unit is as follows:

General obligation bonds	\$284,517,131
State literary fund loans	2,079,718
Certificates of participation	480,000
Capital leases	<u>491,222</u>
Total general obligation debt and lease obligations	<u>\$287,568,071</u>

In addition to the general obligation debt and lease obligations, the primary government has also recorded accrued interest payable of \$5,859,115 in the government-wide financial statements on behalf of the School Board component unit.

10. Commitments and Contingent Liabilities

A. Lease Commitments

Rent expense for all operating leases was \$3,961,143 for the County, \$992,135 for the School Board and \$28,483 for the Health Center Commission for the year ended June 30, 2005.

The County, School Board, and Health Center Commission lease various types of equipment under operating lease agreements. The lease agreements are contingent on the respective Boards appropriating funds for each year's payments. As of June 30, 2005, future operating lease payments totaling \$910,727 for the County and \$68,206 for the School Board are all due in 2006.

B. Other Commitments

The County has entered into various contracts for the purchase of water and the treatment of wastewater. The County in establishing water and wastewater rates considers these commitments, which expire at various times through 2045.

C. Contingent Liabilities

Various claims and lawsuits are pending against the County and School Board. In the opinion of County management, resolution of these cases would not involve a substantial liability.

The County and School Board have received a number of Federal and State grants. Although the County and School Board have been audited in accordance with the provisions of Office of Management and Budget Circular A-133, these grants are still subject to financial and compliance audits by the grantors or their representatives. Such audits could result in requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grants. The amount of expenditures which may be disallowed as a result of audits at some future date cannot be determined at this time; however, the County and School Board expect such amounts, if any, to be immaterial.

D. Moral Obligations – Richmond Metropolitan Authority (RMA) Baseball Stadium Facility

In connection with the RMA's responsibility for maintaining and operating the Richmond metropolitan area's baseball stadium facility which opened in April 1985, the Counties of Chesterfield and Henrico and the City of Richmond agreed to a nonbinding moral obligation under which each would pay one-third of any annual net operating loss.

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

With the renewal of the superbox leases for the 2005 baseball season, the Stadium had a net operating gain of \$208,287 for fiscal year 2005. The County made contributions of \$137,133 for debt service, \$10,288 for operations and \$25,000 for capital improvements to RMA during fiscal year 2005.

11. Risk Management – Claims Liability

The Risk Management Fund (an Internal Service Fund) accounts for property, casualty and liability claims for the County and School Board. Third party coverage is obtained for real and personal property and some liability risks. Third party property and casualty coverage is maintained for the Fire Department. The County does maintain a broad form Public Officials Liability insurance policy to provide catastrophe coverage for individual claims in excess of \$2,000,000. Administration of claims impacting this coverage is reviewed routinely by the insurance company that provides this policy. There have not been any reductions in commercial insurance coverage from the prior year and the amount of settlements in each of the past three years did not exceed the commercial insurance. Risk Management Fund revenues are generated by charges to the departments and School Board for management's estimate of the cost of predictable losses, the cost for administering these losses, a pro rata share of insurance premiums paid, actuarial estimates for incurred but not reported claims and the Risk Management Department's operational costs. Significant claims paid by the Risk Management Fund which exceed the premium charged will be covered by increased premiums in future years to the departments and School Board. Liabilities for unpaid claims are based upon the estimate of the ultimate cost of the claims, pursuant to known information. The estimate of the claims liability does not include amounts for non-incremental claims adjustment expenses. On disputed cases, where the chances of prevailing on the legal and medical issues are less than 50%, the claim is recorded at the full exposure amount. The present value of the estimated outstanding losses is the amount of money, discounted for anticipated investment income, required to meet unpaid claims. The discount is calculated based on a 3% yield on investments. The confidence level estimated percentage used to calculate the risk management liability is 90%. First party administration of claims by the Risk Management staff began October 1, 1988.

The County is a significant property owner and, as such, has potential exposure to environmental liabilities. In 2002, the County developed a comprehensive environmental management program. The County is also working toward the International Organization for Standardization (ISO) 14001 registration, which addresses environmental management systems, auditing, labeling, performance evaluation and life cycle assessment. As the extent of potential loss cannot be estimated, no formal financial risk treatment for this exposure has been implemented.

Workers' compensation claims are funded annually by appropriations in the various funds. The self-insured retention per occurrence is \$250,000 per claim occurring after December 31, 1996. The County maintains an excess insurance policy for those claims greater than \$250,000. Claims are administered by Risk Management staff with an independent claims audit conducted periodically. Safety professionals and representatives of the third party insurance companies provide loss prevention consultation.

The changes in the claims liability amounts are as follows:

	Fiscal 2005
Workers' Compensation:	
Liability, July 1	\$ 9,103,958
Current-year claims	3,432,770
Changes in estimates	115,823
Claim payments	<u>(3,658,463)</u>
Liability, June 30	<u>\$ 8,994,088</u>
Risk Management Fund:	
Liability, July 1	\$ 4,216,503
Current-year claims	2,656,130
Changes in estimates	646,471
Claim payments	<u>(2,005,553)</u>
Liability, June 30	<u>\$ 5,513,551</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2005

12. Retirement Plans

A. Virginia Retirement System – Primary Government

The County contributes to the Virginia Retirement System (VRS), a mixed agent and cost-sharing multiple-employer defined benefit pension plan administered by the VRS.

1. Plan Descriptions and Contribution Information

- a) Plan Description: All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their web site at <http://www.varetire.org/Pdf/2005AnnuRept.pdf> or obtained by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.
- b) Funding Policy: Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County's contribution rate for fiscal year 2005 was 9.25% of annual covered payroll. Chesterfield County has elected to pay the employee's required 5% contribution.
- c) Annual Pension Cost and Net Pension Obligation: For 2005, the County's annual required contribution of \$12,364,588, representing a contribution rate of 9.25%, was equal to the County's actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases that range between 4.25% and 6.10% per year, and (c) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the County's assets is a modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

Net Pension Obligation (NPO)

Annual Required Contribution (ARC)	\$ 12,364,588
Interest on NPO	236,369
Adjustment to the ARC	<u>(297,350)</u>
Annual Pension Cost	12,303,607
Contributions made	<u>(12,364,588)</u>
Decrease in NPO	(60,981)
NPO beginning of year	<u>2,954,617</u>
NPO end of year	<u>\$ 2,893,636</u>

B. Chesterfield County Supplemental Retirement System – Primary Government

The Chesterfield County Supplemental Retirement System (System) is a single-employer defined benefit pension plan that covers certain qualified County employees in addition to any benefits which may be received under the Virginia Retirement System and Social Security. This plan is administered by the Board of Trustees appointed by the Board of Supervisors. The System is considered part of the County of Chesterfield's financial reporting entity and is included in the County's financial statements as a Pension Trust Fund.

1. Summary of Significant Accounting Policies

- a) Basis of Accounting: The System's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.
- b) Valuation of Investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales prices at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

2. Plan Descriptions and Contribution Information

- a) Plan Description: The System provides retirement benefits as well as disability benefits for certain qualified full-time County employees. Benefits begin to vest after five years of service. County employees who retire at or after age 65 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 0.875% of final average compensation in excess of covered compensation, multiplied by years of service credited to the member at retirement. Covered compensation with respect to any participant means the average (without indexing) taken to the nearest multiple of \$600 of the taxable wages bases in effect for each calendar year during the 35-year period ending with the last day of the calendar year in which the participant attains age 64. In determining the participant's covered compensation for a calendar year, the taxable wage base for all future calendar years is assumed to be the same as the one in effect for year of determination. A participant's covered compensation for a calendar year before the 35-year period is the taxable wage base in effect for the calendar year. A participant's covered compensation for a calendar year after the 35-year period is the participant's covered compensation for the calendar year during which the 35-year period ends. Employees with ten years of credited service may retire at or after age 55 and receive an unreduced retirement benefit. The entire cost of the System is paid by the County.

Membership of the System consisted of the following at June 30, 2005:

Active members	3,188
Terminated members with vested rights	122
Retired members with benefits in pay status and beneficiaries of deceased members receiving benefits	<u>185</u>
	<u>3,495</u>

County of Chesterfield, Virginia

Notes to Financial Statements

June 30, 2005

- b) Funding Policy: The System provides for annual employer contributions at actuarially determined rates which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. Contribution rates are developed using the entry age normal cost method for both normal costs and amortization of the unfunded actuarial accrued liability. The plan is financed through budget appropriations.
- c) Annual Pension Cost and Net Pension Obligation: For 2005, the County's contribution of \$1,126,431 was the recommended contribution and was determined as a part of the July 1, 2004 actuarial valuation. The actuarial assumptions included (a) 6.5% investment rate of return and (b) 3% inflation rate and (c) projected salary increases of 3.5% per year. Under the entry age normal method a supplemental cost is computed each valuation date and consists of a 40-year amortization of the system unfunded actuarial accrued liability.

Net Pension Obligation (NPO)

Annual Required Contribution (ARC)	\$ 1,126,431
Interest on NPO	68,749
Adjustment to the ARC	<u>(75,639)</u>
Annual Pension Cost	1,119,541
Contributions made	<u>(1,126,431)</u>
Decrease in NPO	(6,890)
NPO beginning of year	<u>267,526</u>
NPO end of year	<u>\$ 260,636</u>

3. Related Party Investments

The System's plan assets do not include any securities issued by Chesterfield County.

4. Actuarial Method and Significant Assumptions

The information presented in the schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2005
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar
Remaining amortization period	40 years-open
Asset valuation method	Five year moving average
Actuarial assumptions:	
Investment rate of return.....	6.5%
Projected salary increases.....	3.5%

C. Virginia Retirement System – Discretely Presented Component Unit - School Board

The School Board contributes to the VRS, a mixed agent and cost-sharing multiple-employer defined benefit pension plan. Professional employees participate in a VRS statewide teacher cost sharing pool and non-professional employees participate as a separate group in the VRS.

1. Plan Descriptions and Contribution Information

- a) Plan Description: All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced benefit at age 65 with 5 years of service and at age 50 with 30 years of service. Employees who retire with a reduced benefit at age 55 with at least five years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to

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becoming eligible for full retirement benefits. In addition retirees qualify for an annual cost-of-living adjustment beginning in their second year of retirement. The cost-of-living adjustment is limited to 5% per year. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their web site at <http://www.varetire.org/Pdf/2005AnnuRept.pdf> or obtained by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.

- b) Funding Policy: Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for non-professional employees for fiscal year 2005 was 7.25% of annual covered payroll. The School Board has elected to pay the employees' 5% required contribution. Information is not separately available for the teacher cost-sharing pool. The School Board's required contribution rate for teacher or professional group was 6.03% for fiscal year 2005. The School Board's required contribution for the professional employees to the teacher cost-sharing pool was as follows:

<u>Year</u>	<u>Contribution</u>	<u>Contribution Percentage</u>
2005	\$24,799,353	11.03%
2004	18,946,478	8.77
2003	17,831,725	8.77

- c) Annual Pension Cost and Net Pension Obligation: For 2005, the School Board's annual required contribution, for non-professional employees, of \$1,620,026, represented a contribution rate of 7.25%, was equal to the School Board's actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases that range between 4.25% and 6.10% per year and (c) 3% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

Net Pension Obligation (NPO)

Annual Required Contribution (ARC)	\$ 1,620,026
Interest on NPO	66,338
Adjustment to the ARC	<u>(110,535)</u>
Annual Pension Cost	1,575,829
Contributions made	<u>(1,620,026)</u>
Decrease in NPO	(44,197)
NPO beginning of year	<u>807,081</u>
NPO end of year	<u>\$ 762,884</u>

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D. Supplemental Retirement Program - Discretely Presented Component Unit - School Board

The School Board contributes to the Supplemental Retirement Program (Program), a single-employer, defined benefit pension plan established during fiscal year 1996 and administered by the School Board to provide pension benefits for certain qualified School Board employees in addition to any benefits which may be received under the Virginia Retirement System or Social Security.

1. Summary of Significant Accounting Policies

- a) The Program's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the Program.
- b) Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales prices at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

2. Program Descriptions and Contribution Information

- a) Program Description: The School Board's Program is provided for full-time employees covered by VRS with at least ten years employment by Chesterfield County Public Schools, including the five years immediately preceding retirement. Employees must have at least twenty years in VRS and/or education, be at least age of 50, and not be retired on disability. Upon becoming eligible for benefits from the Program, the employee shall select a part-time option to provide supplemental service to the School Board in the same or equivalent position as when the employee was permanently employed. The employee shall receive a monthly retirement benefit, beginning as of the date the employee commenced part-time employment under the provisions of the Program, equal to one twelfth (1/12) of one percent (1%) of the employee's final annual compensation; multiplied times the number of obligated days; divided by the duration of the payout period. The number of obligated days and amount of the monthly retirement benefit shall be determined and paid based on one of the part-time employment options selected by the employee and on the employee's employment classification. The minimum monthly benefit payable is \$50. Benefits under the Program cease upon completion of the elected payout installment period. In the event of the death or total disability of the employee during the first year of receipt of benefits, the employee will receive payment for the time actually worked.

An employee is vested under the Program when he reaches his normal retirement age defined as the time when services have been rendered in the part-time position classification selected by the employee. During the period the employee is providing services to the School Board in the part-time position, the employee's benefit is paid from the general assets of the School Board. If the employee does not complete the service required, the employee's benefits are forfeited. Benefit payments made after the first year or half year shall be made from the Program assets.

Membership of the System consisted of the following at July 1, 2003, the date of the latest actuarial valuation:

Active participants	4,333
Retirees (non-vested)	107
Retirees (vested)	<u>583</u>
Total	<u>5,023</u>

- b) Funding Policy: The School Board contributes the normal cost plus amortizes the unfunded actuarial accrued liability over 40 years. Actual contributions are based upon savings derived from employees electing to retire under the Program along with a supplement from the School Operating Fund. For a particular Program year, the actual contribution may not equal the recommended level

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of contribution; however, it is expected that the contribution will be sufficient to meet the funding requirements over the longer term. The Program is funded from available budget allocations and interest earned from the Program.

- c) Annual Pension Cost and Net Pension Obligation: For 2005, the School Board made a contribution of \$8,016,439 to the Program. The actuarial assumptions included (a) 7.5% investment rate of return and (b) projected salary increases of 4.5% per year. The actuarial cost method is the Entry Age Normal Cost method.

Net Pension Obligation (NPO) (ASSET)

Annual Required Contribution (ARC)	\$ 4,567,925
Interest on NPO	(224,429)
Adjustment to the ARC	<u>237,597</u>
Annual Pension Cost	4,581,093
Contributions made	<u>(8,016,439)</u>
Increase in NPO	(3,435,346)
NPO (asset) beginning of year	<u>(2,992,388)</u>
NPO (asset) end of year	<u>\$ (6,427,734)</u>

3. Related Party Investments

The Program's assets do not include any securities issued by Chesterfield County.

4. Actuarial Method and Significant Assumptions

The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date.....	July 1, 2005
Actuarial cost method.....	Entry age normal cost
Amortization method.....	Level dollar - open
Remaining amortization period.....	40 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.5%

13. Other Postemployment Benefits

The County, School Board and Health Center Commission provide postretirement health care benefits, in accordance with their respective policies, to all full-time, salaried permanent employees who retire at or after the age of 50 with at least five years of credited service.

The County contributes toward the retirees' medical and dental premiums with the retirees paying amounts ranging from zero to \$521 per year depending on the health care plan selected. The retiree must pay for the coverage of any dependents. The County's contributions for retirees hired prior to July 1, 1992 are at the same rates as active employees. Retirees that were hired after July 1, 1992, receive a 5% reduction in the County contribution for each year of service less than 20 years. The County also pays 100% of the Medicare Supplement extended for retirees eligible for Medicare.

Currently, 528 County retirees meeting the eligibility requirements participate in postemployment health care benefits. Expenditures for health care benefits are recognized on a pay-as-you-go basis. During the year, expenditures of \$1,805,725 were paid for postemployment health care benefits for County retirees.

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School Board retirees may select from the health care plans offered to active employees and pay the difference in cost on a monthly basis between the School Board's contribution and the cost of the policy. The retiree amount ranges from \$240 to \$1,305 per year, depending upon the health care plan selected. For retirees selecting dependent coverage, their costs range from \$2,018 to \$10,655 per year. When the retiree becomes eligible for Medicare, the health care policy is discontinued and the retiree may select health care coverage under one of the Medicare policies offered by the School Board. Effective July 1, 1997, the School Board elected to offer Medicare retirees the option of dependent coverage. The retiree pays the difference in cost on a monthly basis between the School Board's contribution and the cost of the Medicare policy. The retiree amount ranges from zero to \$1,383 annually for an individual policy. When the retiree selects dependent coverage, the cost ranges from \$3,340 to \$5,161 annually.

Currently, 1,598 School Board retirees meeting the eligibility requirements participate in postemployment health care benefits. Expenditures for health care benefits are recognized on a pay-as-you-go basis. During the year, expenditures of \$4,891,273 were paid for postemployment health care benefits for School Board retirees.

In addition, for fiscal year 2005, salaries paid to the 123 employees participating in the School Supplemental Retirement Program were approximately \$1,711,600.

The Health Center Commission retirees who retired prior to January 1, 1994 have the same postemployment health care benefits as County retirees described above. For employees who retired after January 1, 1994, the Commission pays the lowest premium available from the medical and dental plans offered. The retirees must pay the excess premiums for their coverage and for the coverage of their dependents. Expenditures for postemployment health care benefits are recognized as the premiums are paid to the insurance companies. Expenses of approximately \$120,124 covered 41 retirees for the year ended June 30, 2005.

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14. Joint Ventures

A. Appomattox River Water Authority

The County, in conjunction with the Counties of Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights, participated in the creation of the Appomattox River Water Authority (Water Authority). The Water Authority was established under the provisions of the Virginia Water and Sewer Authorities Act. The Water Authority, whose five-member board is comprised of one representative from each participating entity, is responsible for providing a supply of filtered water to be purchased by the members of the Water Authority.

The Water Authority is responsible for improvements and expansion to meet the current and future demands of the participating jurisdictions. On August 28, 2002, a Memorandum of Understanding between the Water Authority, Sun Trust Bank and the County was signed to describe the procedure to be followed in connection with the County's election to finance its share of the treatment plant expansion costs from available funds up to \$31.3 million and to deposit those funds in the escrow fund as required by the agreement. As of June 30, 2005, \$1,532,408 including interest earnings was remaining in the escrow fund for completion of the expansion project. The Water Authority issued additional bonds in December 2002 of \$12.375 million to cover the remaining cost of the project to be allocated to the other participating jurisdictions.

The County retains an ongoing financial responsibility for the joint venture due to the requirement to purchase water and the capacity rights received in connection with the expansion of the treatment plant. The County's purchases of water for the year ended June 30, 2005 were \$3,079,013. Complete financial statements for the Water Authority can be obtained from the Water Authority's Office at 21300 Chesdin Road, Petersburg, Virginia 23803.

B. Capital Region Airport Commission

The County, together with the City of Richmond, the County of Henrico and the County of Hanover, participates in an intergovernmental joint venture, the Capital Region Airport Commission (Commission). The Commission owns and operates the Richmond International Airport (Airport).

The Commission is comprised of a fourteen-member board of directors, with four members each being appointed by the City of Richmond, County of Henrico and County of Chesterfield governing bodies and two members being appointed by the County of Hanover governing body. The Commission generates revenues from service charges to users of the Airport facilities to recover the costs of maintaining, repairing and operating the Airport. Virginia law requires that the Commission submit an annual budget showing estimated revenues and estimated expenditures to the governing bodies of the localities for their approval. The Commission's budget submittal must identify any deficits and the proportion of the deficit to be borne by, or requested of each participating locality's governing body. Allocation of the Commission's deficit among the participating localities shall be proportionate to their respective populations. If a participating locality's governing body approves the Commission's operating and capital budgets with deficits, the locality shall appropriate to the Commission its share of the deficit. If during any fiscal year the Commission shall receive general fund revenues in excess of those estimated in its approved operating budget, the budgeted deficit shall be reduced and so shall the proportionate appropriation of the participating localities unless otherwise agreed upon by the parties.

Complete financial statements for the Commission can be obtained from the Commission's Office at Richmond International Airport, P. O. Box A-3, Richmond, Virginia 23231.

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C. Greater Richmond Convention Center Authority

The Greater Richmond Convention Center Authority (the Convention Authority) is a political subdivision of the Commonwealth of Virginia and was created by the City of Richmond and the Counties of Chesterfield, Hanover and Henrico for the purpose of expanding, owning and operating a regional convention center facility. The Convention Authority is governed by a five-member commission comprised of the chief administrative officer of each of the four incorporating political subdivisions and the President/CEO of the Retail Merchants Association of Greater Richmond.

Each participating jurisdiction is authorized to levy an 8% transient occupancy tax and has agreed in the Hotel Tax Payment Agreement to appropriate and to pay to the Convention Authority an amount equal to the total amount of transient occupancy tax collected. The County recorded an expenditure of \$2,727,872 or transient occupancy tax to the Convention Authority during the year ended June 30, 2005.

Each participating jurisdiction intends that its respective tax payment will be sufficient to fund its allocated share of operating costs as defined in the Interlocal Agreement. The County received \$904,775 from the Convention Authority for tax payments made in excess of their allocated share of operating costs during the year ended June 30, 2005.

On May 19, 1998, the Convention Authority entered into a fiscal services agreement with the County. The agreement specifies that the County provide services to the Convention Authority to (1) direct and monitor the investment and disbursement of funds held by the trustee from future revenue bonds; (2) receive and manage revenues transferred on behalf of the Convention Authority to the Treasurer of Chesterfield County; (3) maintain accounting records in accordance with generally accepted accounting principles and coordinate with outside independent auditors; (4) monitor and control the Convention Authority's budget; and (5) secure arbitrage reporting. In accordance with the terms of the fiscal agent agreement, the Convention Authority made payments of \$95,300 to the County during the year ended June 30, 2005. The agreement is effective until the Convention Authority or the County gives written notice to the other of its desire to terminate the agreement.

Complete financial statements for the Convention Authority can be obtained from Chesterfield County, Accounting Department, 9901 Lori Road, Chesterfield, VA 23832.

D. Greater Richmond Transit Company

The Greater Richmond Transit Company (GRTC) is a public service corporation organized to provide mass transportation services to the Richmond metropolitan area. GRTC is owned jointly by the County and the City of Richmond, each owning a 50% share of the corporation. The County does not have an explicit or measurable claim to the resources of GRTC.

A Board of Directors comprised of six members with three members each being appointed by the respective governing bodies manages GRTC. The majority of the capital, operating and liability costs are paid by fare revenue, state and federal grants, and when necessary, route subsidies. Each locality participates in GRTC's cost only to the extent that the locality chooses to have GRTC operate routes within its jurisdiction. The County's ongoing financial responsibility in GRTC is due to this commitment. At June 30, 2005, there were no GRTC routes in the County therefore no contribution was made by the County in fiscal year 2005.

Complete financial statements for GRTC can be obtained from GRTC's office at P. O. Box 27323, Richmond, Virginia 23261.

E. Riverside Regional Jail Authority

The Riverside Regional Jail Authority (Jail Authority) was created by Chapter 726 of the 1990 Acts of the General Assembly and was formed on June 21, 1990. The Jail Authority is comprised of the Cities of Colonial Heights, Hopewell and Petersburg and the Counties of Charles City, Chesterfield, Prince George and Surry. A fourteen-member board comprised of one appointed member and the sheriff from each participating jurisdiction

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governs the Jail Authority. Each member must reside in and be appointed by the governing body of his political subdivision.

The regional jail is located in the County of Prince George adjacent to the Federal Correctional Institution and is used to hold prisoners primarily from each member jurisdiction. In accordance with the Jail Authority Service Agreement, each participating locality is required to commit a determined percentage of its inmates, paying per diem rates, to the jail. The County retains an ongoing financial responsibility for this joint venture due to this requirement of the agreement. The County's per diem payments for the year ended June 30, 2005 were \$6,592,031.

Complete financial statements for the Jail Authority can be obtained from the Riverside Regional Jail Authority's office at P. O. Box 1041, Hopewell, VA 23860.

F. South Central Wastewater Authority

On July 2, 1996, the County, in conjunction with the Counties of Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights participated in the creation of the South Central Wastewater Authority (Wastewater Authority), by concurrent resolutions in accordance with the Virginia Water and Sewer Authorities Act. The purpose of the Wastewater Authority, whose five-member board is comprised of one representative from each participating jurisdiction, is to acquire, finance, construct, expand, improve, operate and maintain wastewater treatment and related facilities and for compliance with all requirements of applicable laws and regulations, except as otherwise provided in the service agreements.

The County paid \$4,786,709 on July 2, 1996 representing its share of acquired debt and an initial operations and maintenance deposit. The County will be responsible for its portion of operation and maintenance expenses on a monthly basis, based on the Service Agreement. The County's purchases of wastewater services for the year ended June 30, 2005 were \$320,699.

Complete financial statements for the Wastewater Authority can be obtained from the South Central Wastewater Authority's Office at 900 Magazine Road, Petersburg, VA 23803.

15. Jointly Governed Organizations

A. Central Virginia Waste Management Authority

The Central Virginia Waste Management Authority (Waste Authority) was established under the provision of the Virginia Water and Sewer Authorities Act. The Waste Authority's board is comprised of representatives from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George, the Cities of Colonial Heights, Petersburg, Hopewell and Richmond and the Town of Ashland. The 20-member board is comprised of no less than one and up to no more than three members from each of the participating jurisdictions, determined on a population basis. The County has three representatives serving. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Except for contribution requirements and direct payments for special projects, no participant has any ongoing financial interest or responsibility in the Waste Authority. The County's contribution and direct payments for special projects for the year ended June 30, 2005 were \$3,033,235.

B. Greater Richmond Partnership

The Greater Richmond Partnership is comprised of members from the City of Richmond and the Counties of Chesterfield, Hanover, and Henrico. Together in partnership with the business leadership of the area, the Greater Richmond Partnership's purpose is to further economic development of the metropolitan area.

The County has one representative serving on the Greater Richmond Partnership's 14-member Board of Directors and contributed \$390,000 for the year ended June 30, 2005.

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C. Richmond Metropolitan Convention and Visitors Bureau

The Richmond Metropolitan Convention and Visitors Bureau (RMCVB) serves the City of Richmond and the Counties of Chesterfield, Hanover and Henrico by promoting conventions, tourism and development in the Metropolitan Richmond area in order to increase revenues, provide increased employment and improve the economic health of all jurisdictions involved.

The RMCVB has 31 members and the County has three representatives serving on RMCVB's Board of Directors and contributed \$451,462 for the year ended June 30, 2005.

D. Richmond Regional Planning District Commission

The Richmond Regional Planning District Commission (RRPDC) is comprised of thirty-three members from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City of Richmond and the Town of Ashland. The major functions of the RRPDC are to promote regional cooperation; coordinate the activities and policies of member local governments; resolve service delivery problems involving more than one government within the region and provide planning assistance to local governments. In accordance with its Charter, the RRPDC promotes the orderly physical, social and economic development of the region through planning and encouraging local governments to plan for the future.

The County has seven representatives serving on the RRPDC and paid total dues of \$168,780 for the year ended June 30, 2005.

E. Virginia's Gateway Region Board

Virginia's Gateway Region Board (VGRB) formerly named Appomattox Basin Industrial Development Corporation (ABIDCO) serves the Counties of Chesterfield, Dinwiddie, Prince George, Surry and Sussex, as well as the Cities of Colonial Heights, Hopewell and Petersburg in their efforts to provide balanced industrialization to commission members.

The County has two representatives serving on VGRB's 21-member board and contributed \$53,274 to VGRB for the year ended June 30, 2005.

16. Special Item

On January 1, 2005, the County entered into an Amended and Restated Development Agreement (Support Agreement) with the IDA as disclosed in Note 9G. Under the terms of this agreement, the County agreed to make support payments directly to the IDA's trustee in an amount sufficient to cover the debt service on the IDA's revenue bonds. For fund statement reporting purposes, there is no current financial flow of resources for the County to report beyond these payments; however, for government-wide reporting purposes, the County has reported a long-term obligation for \$18,120,000 and a special item in the same amount to reflect the County's commitment for this Support Agreement.